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# Current History

A WORLD AFFAIRS MONTHLY

FEBRUARY, 1975

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# Current History

FEBRUARY, 1975

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*How stable is the political balance in the Middle East? How successful is American diplomacy? In this issue, specialists evaluate the policies of the nations of the area, the special position of Israel, the attitude of the United States, the importance of Middle Eastern oil. How precarious is the world's oil supply? As our introductory article points out: "There is certainly a fundamental community of interests . . . in the prosperity, stability and strength of the Western world. The difficulty lies in persuading the oil producers that Western stability is endangered before such damage becomes irreparable."*

## Middle East Oil

BY RALPH H. MAGNUS

*Assistant Director for Political Studies, National Energy Project  
of the American Enterprise Institute*

THE YEAR 1974 saw the end of the oil embargo and the production cutbacks that had been imposed by the Organization of Arab Petroleum Exporting Countries (OAPEC) in October, 1973, in support of the Arab war effort against Israel. It also witnessed the establishment and persistence of a price for oil (\$11.65 per barrel, posted price for 34 degree crude from the Gulf producers) believed to be impossibly high only a few months before.<sup>1</sup> The situation these actions presented to the consuming countries could best be described in terms reminiscent of Joseph Heller's novel, *Catch 22*: "You can have all the oil you need; the catch is that you will go bankrupt trying to pay for it."

The Western statesmen struggling to deal with the oil issues, the consumers who faced soaring fuel bills to add to other inflationary pressures on their

pocketbooks, and the unfortunate inhabitants of less developed countries without any oil resources saw little humor in the situation. Indeed, throughout 1974, the oil producers heard pleas, arguments, and barely concealed threats from the highest quarters of the Western world that the continuance of the embargo and/or the high level of oil prices (not to speak of any price increase) would precipitate the financial, economic and political collapse of the West. Thus, the oil producers were reminded by United States President Gerald Ford that in the past sovereign nations had gone to war over such issues.<sup>2</sup>

To these dire predictions the oil producers turned a deaf ear. Although some oil-producing nations were willing to acknowledge that there was a danger that the world economy would collapse, ultimately harming their own economic and political interests, most believed that they were at last receiving their fair economic share for a diminishing natural resource—a resource that had been exploited for decades largely for the benefit of the international oil companies and to further the rapid economic development of the West.

Admittedly, the oil producers saw little concrete proof that the consumers were actually in danger of imminent collapse. In oil-consuming nations, little effort was being made to curb excessive energy usage, to establish the effective coordination of national energy policies or, indeed, to establish national energy

<sup>1</sup> *Middle East Economic Survey, Supplement*, vol. 17, no. 47 (September 13, 1974), p. 2. The pricing system of crude oil is, by itself, one of the most complicated aspects of the energy situation. The posted price of \$11.65 per barrel is an artificial figure used in the calculation of the royalties and taxes owed to the governments for the companies' "equity" crude. It has also been used as a basis for calculating the "buy-back" cost of government-owned crude sold to the companies. In September, 1974, this posted price translated into an average selling price of \$10.84 per barrel, from which the producing countries received \$8 per barrel.

<sup>2</sup> Harry B. Ellis, "U.S. Pushes for Oil Price Advantage," *The Christian Science Monitor*, September 24, 1974.

policies. However, by November, 1974, there was some tentative movement toward cooperation among the major Western consumers. This involved sharing oil in the event of a further embargo, cutting down current oil imports and devising a financial mechanism to cope with the massive capital inflows from the oil producers and to enable the industrial countries to pay for their imports.

In the bleakest terms, the dual crises of the embargo and the high oil price levels contained the seeds of inevitable confrontation, conflict, and international chaos between a bloc of industrialized consuming states led by the United States, and a bloc of producing states largely, but not exclusively, concentrated in the Middle East and probably led by Saudi Arabia and Iran. Although some simplification of the issues along these lines is justified, the complexity of the problem offers some hope that there may be a solution in compromise, rather than in conflict. Examined in detail the positions of both blocs reveal internal political and economic divisions cutting across their group solidarity and establishing links with members of the opposing bloc. On a larger scale, serious economic and political arguments favor eventual cooperation between the producers and the consumers. Such cooperation, however, must await the formation of group solidarity among oil consumers to match that already achieved among oil producers.

### THE ARAB OIL EMBARGO

The embargo imposed by OAPEC on October 17, 1973, and lifted on March 18, 1974, was a political act.<sup>3</sup> Its success, however, depended on economic conditions. Its political goal was to secure Israeli withdrawal from occupied Arab territory and to

recognize the legitimate rights of the Palestinian people.<sup>4</sup> The embargo was designed to pressure the major oil consumers (most of whom were allies of the United States) and the United States itself (as the principal external support for Israel) through a total ban on the shipment of Arab oil to the United States, the Netherlands, South Africa and Portugal, coupled with production cutbacks at the rate of 5 percent monthly and applied selectively to consumers according to their position vis-à-vis the Arab-Israeli conflict. In December, 1973, the production cutbacks were eased by holding them at 15 percent.<sup>5</sup>

Despite some inevitable leakages, the embargo was largely successful. United States imports of crude oil and fuel oil for February, 1974, fell by 22 and 20 percent, respectively, from the same month in 1973.<sup>6</sup> The United States gross national product in the first quarter of 1974 fell \$10 billion to \$20 billion from the corresponding quarter of 1973, adding 0.5 percent to the unemployment rate and accounting for 30 percent of the rise in the consumer price index.<sup>7</sup> For the members of the Organization for Economic Cooperation and Development (OECD), comprising the leading industrial countries of West Europe, North America and Japan, oil imports for the first half of 1974 were estimated to have fallen by 7.3 percent from the corresponding period of 1973.<sup>8</sup>

This economic success was, however, possible only because of the total situation with regard to world oil production and consumption. The world demand had been rising steadily, roughly at the same rate as the growth in the gross national products of the industrial countries. Only the Middle East, and largely the Arab states, had the productive capacity to satisfy this increased demand.<sup>9</sup> The major oil producers, outside of the Arab states, including Venezuela, Iran, Canada and the United States, were already producing at or near the peak of their capacity. Few countries were able and willing to fill the production gap during the embargo. The most important of these was Nigeria, which nearly tripled her exports between 1972 and 1974.<sup>10</sup> Also vital to the success of the embargo (although not a party to it) was the Organization of Petroleum Exporting Countries (OPEC), which saw the opportunity to increase the posted price of oil 70 percent, in October, 1973, to \$5.11 per barrel, and then a further 130 percent, to \$11.65 per barrel, on January 1, 1974. The adverse economic effects of the embargo on the producers were thus more than compensated for by higher prices; non-Arab producers were not particularly eager to fill the production gap (even if they were able), because they were reaping fantastic incomes from the new price levels. During the embargo, Iran sold some oil at auction for over \$16 per barrel, much to her surprise.<sup>11</sup> The net oil income of members of OAPEC for 1974 was forecast

<sup>3</sup> The embargo was supported by all OAPEC members with the exception of Iraq, which claimed that this form of action was not radical enough. Libya and Syria formally opposed its lifting (Iraq was not present), while Algeria made her consent to the lifting provisional for three months.

<sup>4</sup> "Communiqué of Arab Oil Ministers, 18 March," *Middle East Economic Survey*, vol. 17, no. 22 (March 22, 1974), pp. 6-7.

<sup>5</sup> *The Arab World* (Beirut), January 1, 1974.

<sup>6</sup> Federal Energy Administration, *Project Independence Report*, Appendix AV, "Economic Impact of the Oil Embargo," p. 285.

<sup>7</sup> *Ibid.*, p. 388.

<sup>8</sup> Organization for Economic Cooperation and Development, *OECD Economic Outlook*, no. 15 (July, 1974), table 27, p. 90. Part of this decline, of course, was due to increased prices as well as to the effects of the embargo.

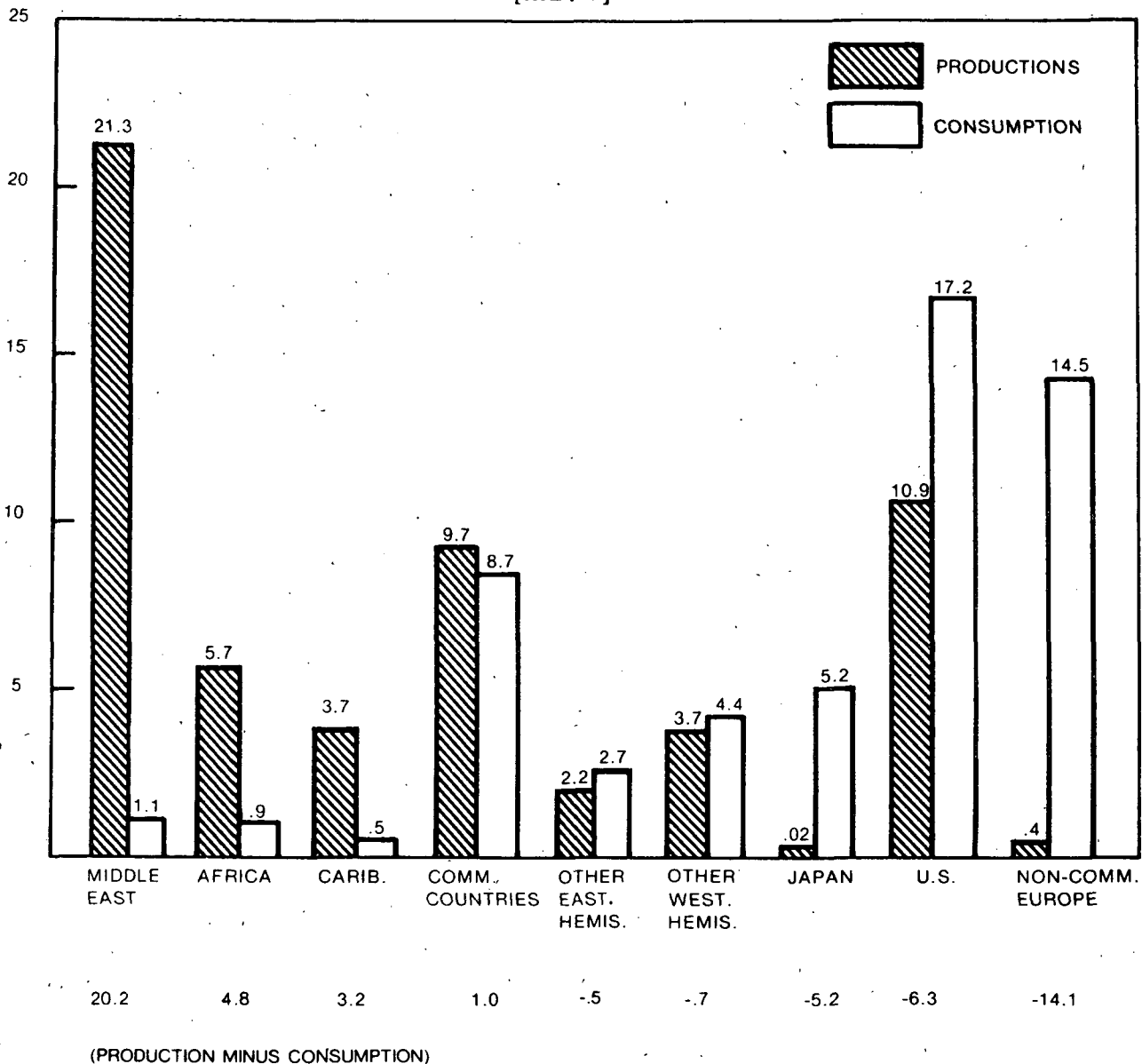
<sup>9</sup> See figure A.

<sup>10</sup> George S. Wilson, "Non Arab Lands Supply Most of U.S. Oil Imports," *The Washington Post*, October 24, 1974.

<sup>11</sup> This was expressed by the Iranian ambassador to the United States, H. E. Ardeshir Zahedi, at the Conference on World Energy Problems sponsored by the National Energy Project of the American Enterprise Institute. The published record of the conference is forthcoming in late 1974 or early 1975.

FIGURE A

1973 CRUDE PETROLEUM PRODUCTION AND PETROLEUM PRODUCT CONSUMPTION FOR MAJOR PRODUCING AND CONSUMING AREAS  
[MB/D]



Federal Energy Administration, Project Independence Report

to be almost \$70 billion. The Arabs could thus have their political cake and eat it too, with enough to share with non-Arab OPEC members and, indeed, with nonmember oil producers like Canada as well.

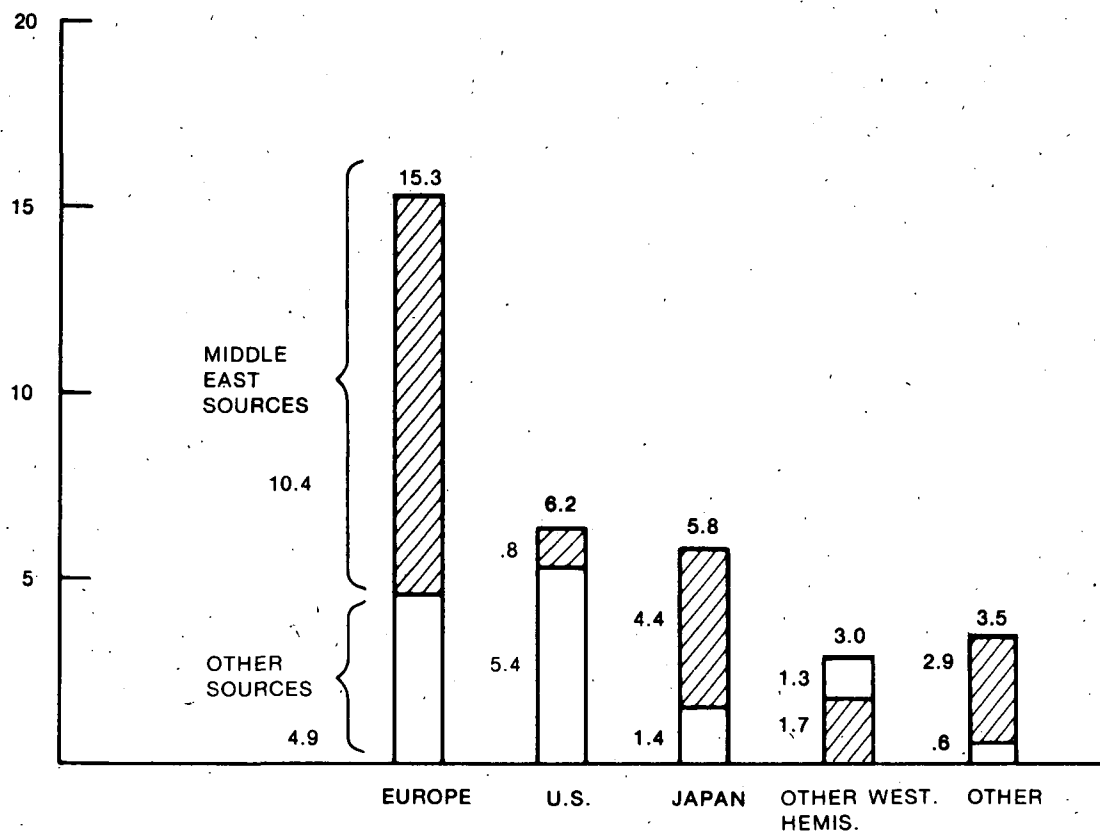
Politically, the oil embargo had profound effects on the internal politics of the Arab states and on their collective relationship with the rest of the

world. The embargo helped to unify the Arab states to a degree never seen before in modern times. Some Arab regimes, in Algeria, Iraq and Libya in particular, were politically radical as well as being major oil producers; in the past, they had advocated the use of oil as a political weapon. But the largest producers of the Arabian peninsula had always been more cautious. In 1973, the center of Arab strategy shifted to Saudi Arabia, Egypt and Syria, a combination much less radical and much more formidable than ever before.<sup>12</sup> Some of the oil income went directly into military purchases. At the Rabat Arab

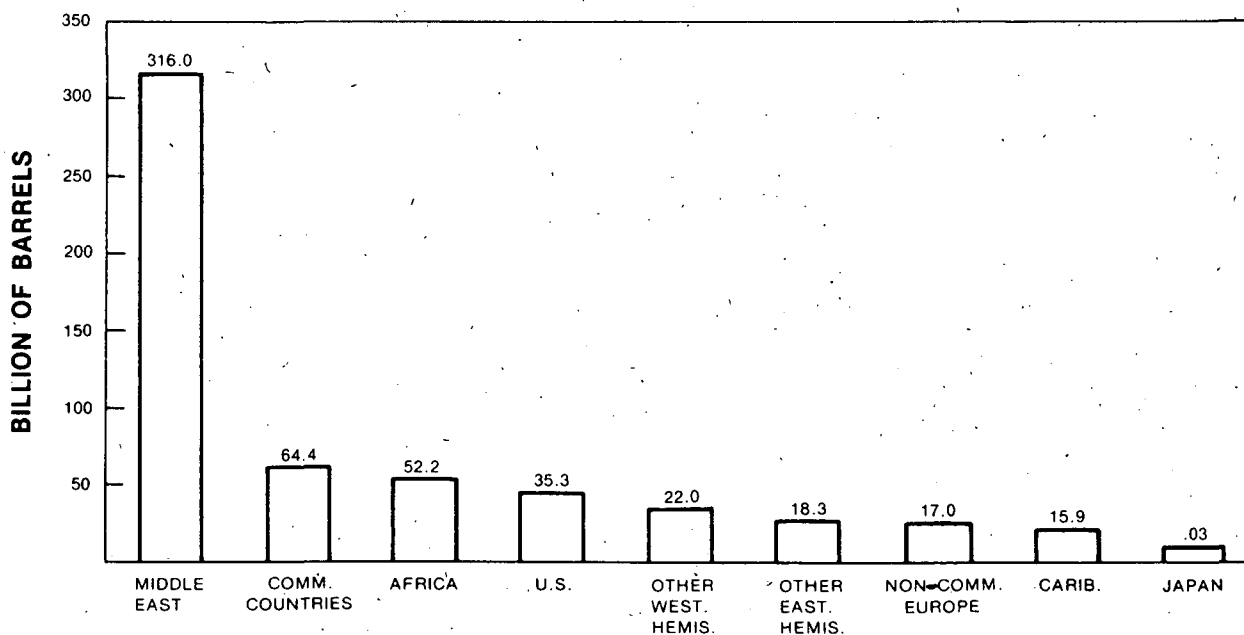
<sup>12</sup> For an excellent assessment of the internal political effect of the oil embargo see Ghassan Tuani, "After October: Military Conflict and Political Change in the Middle East," *Journal of Palestine Studies*, vol. 3, no. 4 (summer, 1974), pp. 114-130.

**FIGURE B**

**1973 IMPORT LEVELS AND PROPORTION OF 1973  
IMPORTS FROM MIDDLE EAST FOR MAJOR IMPORTERS  
[MB/D]**

**FIGURE C**

**1973 CRUDE PETROLEUM RESERVES FOR MAJOR  
PRODUCING AREAS**



Federal Energy Administration, Project Independence Report

summit conference in October, 1974, it was decided to provide the "front line" Arab states with a total of \$2.35 billion for military aid, including \$50 million to the Palestine Liberation Organization (PLO).<sup>13</sup>

On the international scene, the oil embargo gained for the Arab cause a more respectful hearing than it had hitherto received. Even though the United States was directly dependent on the Arab countries for only 16.3 percent of its oil needs,<sup>14</sup> its allies were in a far more precarious position. Japan, for example, imported 42 percent of her fuel needs from Arab countries and was thus terribly vulnerable to any restriction of these imports.<sup>15</sup> Europe was clearly cautious toward all-out American support of Israel.

The new and effective Arab unity and the use of oil as a weapon made it imperative for the United States to engage itself directly in the task of achieving peace between the Arabs and the Israelis.<sup>16</sup> This involvement resulted in the Egyptian-Israeli disengagement agreement and in progress toward a Syrian-Israeli disengagement agreement (concluded soon thereafter), which proved to be sufficiently effective by March, 1974, for the Arab oil ministers to announce the lifting of their embargo, although all their political objectives had not been obtained. Their communiqué stated that lifting the boycott constituted "the employment of the oil weapon in a positive manner," to reward the changed attitude of the United States, Europe and Japan toward the Arab cause.<sup>17</sup>

On the whole, the Arabs were correct in their evaluation of the embargo. Even so, certain divisions among them were revealed. Iraq refused to go along with the production restrictions, stating that the proper Arab action was the complete nationalization of foreign-owned oil companies. Iraqi production actually increased as rapidly as possible, thus lessening the effects of the production restrictions on European and other consumers. Many felt that Iraq's refusal to conform stemmed less from her proclaimed radicalism than from her desire to achieve her ambitious economic goals as quickly as possible. On the other hand, Libya and Syria thought that the removal of the embargo came much too soon.

<sup>13</sup> John K. Cooley, "Arabs Reunited for Peace, War," *The Christian Science Monitor*, October 31, 1974.

<sup>14</sup> Wilson, *loc. cit.*

<sup>15</sup> "The Economic Outlook and the Problem of Oil," *OECD Economic Outlook*, no. 14 (December, 1973), p. 7.

<sup>16</sup> This process of American engagement is fully described in Nadav Safran, "Engagement in the Middle East," *Foreign Affairs*, vol. 53, no. 1 (October, 1974), pp. 46-63.

<sup>17</sup> "Communiqué of the Arab Oil Ministers, 18 March," p. 7.

<sup>18</sup> National Energy Project, *Dialogue on World Oil: Highlights of a Conference on World Oil Problems, Washington, D.C., 3-4 October 1974* (Washington, D.C.: American Enterprise Institute, 1974), p. 29.

The keys to the ending of the embargo were Saudi Arabia's King Faisal and Egypt's President Anwar Sadat, who wanted to reward the United States for its active and even-handed role in achieving the disengagement agreements.

As the year wore on without any further progress toward a permanent settlement, however, Arab leaders renewed their warning that the oil embargo was a tactic that could be repeated and would inevitably be resumed in the event of a renewal of the Arab-Israeli conflict. Sheik Ahmed Zaki Yamani, the Saudi oil minister, made this point clearly in the course of a televised discussion:

I think the Saudis have made it very clear that they hate to use oil as a weapon, and I think all the other producers in the Arab world are not fond of doing this. But we do have a problem, and that problem is still with us. The problem is the Palestinian issue and the occupation of our territory. These ingredients caused the October War last year. If we don't resolve these issues, there will be another war. And there will be another interruption in the supply of oil.<sup>18</sup>

#### THE PRICE INCREASES FOR OIL

There was a strong belief in the consuming countries that the ending of the oil embargo would result in substantial reductions from the \$11.65 posted price for Gulf crude, a price reflected in similar prices for oil from other areas. This did not happen because the price level, in contrast to the oil embargo, was determined by economic considerations. This is not to say that the price level had no political elements; just as the embargo required some economic conditions, so the rise in prices required some political conditions. In this case, too, there were actual and potential divisions among the producers that could in time lessen their solidarity and result in lowered prices. Indeed, these divisions are more evident because the diversity of members of the Organization of Petroleum Exporting Countries (OPEC) is much greater than that of the smaller OAPEC group. The Arab group shares a common language, culture, history and some major political goals, while the members of OPEC share only a common economic resource.

One political condition supporting the success of

(Continued on page 86)

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*"In the Middle East, the maximum benefit that can be expected from influence based on arms supplies is that the United States might encourage short-term accommodation in the Arab-Israeli conflict. . . . The long-run implications of fueling an arms race are far less positive."*

## United States Policy in the Middle East

BY ANN SCHULZ

*Assistant Professor of Government and International Relations, Clark University*

ACCORDING TO NUMEROUS commentators on international affairs, particularly cartoonists, Secretary of State Henry Kissinger's active style of diplomacy is responsible for the measure of peace that was achieved in the Middle East over the early months of 1974. And, in contrast to the costly superpower confrontation of the fourth Middle East war, the current state of "non-fighting" is indeed welcome. The partial withdrawals and the acceptance of United Nations buffer forces along the Suez and in the Golan Heights represent substantial progress toward normalizing relations among the adversaries.

However, Kissinger's successes are as much a result of events within the Middle East as they are of his apparently vast reservoirs of energy. Also, as Kissinger himself has observed, American politics has helped determine the range of tactics open to him. Shortly after the war, in December, 1973, Kissinger told a United States audience that "with congressional support declining, he could not be sure that if another war broke out and Israel again ran out of ammunition he could manage to get another airlift."<sup>1</sup>

American policy in the Middle East, then, is an amalgam of negotiating skill, internal politics, and the fortunes of the battlefield. Whether or not the past year represents a watershed in terms of new opportunities for long-term accommodation is another matter. Israel's political leaders have been warning that a new outbreak of hostilities is likely. A resumption of war would place Kissinger in a difficult position, and his renewed relations with Egypt and Syria would be severely tested.

In the face of this possibility, several questions arise. One is whether United States diplomatic efforts of the past year indicate a new direction in American policy toward the Middle East in general, and the Arab-Israeli conflict in particular.

Significant reorientations of American policy include the stress on limited Israeli accommodations with Egypt and Syria, and the improvement of relations with these two "popular" Arab regimes. The first tactic is simply a recognition of the principles of conflict resolution; the second is interwoven with specific American interests in the Middle East.

Ever since the intensification of United States involvement in the Middle East after World War II, the Arab-Israeli conflict has been only one of several focal points of American concern. If the conflict were to be resolved, United States policy makers would still be committed to a peaceful contest with Moscow for influence within specific countries in the region; they would also be concerned to ensure continued Western and Japanese access to the Middle East's vast oil supplies.

Relations with the Arab states have been colored by the American desire to limit Soviet influence. Beyond the continuity of that general interest, however, the strategies selected by the five post-World War II administrations have shifted—mainly from a hard-line stance toward the popular regimes to limited support for them.

The former strategy took form under the guidance of Secretary of State John Foster Dulles; the Eisenhower Doctrine was elaborated in 1957 partly in response to the refusal of Egypt and Syria to join an anti-Soviet defense organization. In addition, two years earlier, Egypt had concluded an arms agreement with Czechoslovakia and had become the first Arab state to receive military supplies from a Communist country. The Eisenhower Doctrine essentially

<sup>1</sup> *Washington Post*, February 9, 1974. Kissinger's prediction may be put to the test because, at the time of this writing (November, 1974), the United States foreign policy-making establishment estimates the chances for a fifth Middle East war at better than even.

proclaimed the United States willingness to intervene unilaterally to prevent Communist-inspired revolutions within the Middle East. The basic rationale of this approach was that the nationalistic dispositions of Communist countries were not likely to result in foreign policies compatible with United States interests.<sup>2</sup>

The Kennedy administration initiated a rapprochement with nonaligned nations that extended to the Arab world. In 1962, the United States became one of the first states to grant recognition to the revolutionary regime in Yemen—prematurely, according to critics. American contact with the Egyptian regime was renewed, and Egypt was included in the “Food for Peace” program. At the same time, the United States did agree to send Hawk anti-aircraft missiles to Israel, but the justification for doing so was explained in detail to President Nasser.

That period of rapprochement was short lived. Heavily involved in the war in Vietnam, the Johnson administration withdrew aid to Egypt and initiated the first American commitment to supply Israel with aircraft. Israel’s demands for direct talks with her Arab adversaries found support in Washington. The cold war again seemed to dictate isolation for Egypt, a trend that was strengthened by the 1967 Middle East war.

Within weeks of his first election, President Richard Nixon hailed the beginning of a new, “even-handed” American approach toward the Arab-Israeli conflict. In 1969, a major United States peace initiative, the Rogers Plan, was advanced. Like Kissinger after him, Secretary of State William Rogers appealed to Riyadh, Amman, and Cairo for support. Those portions of the proposal that were made public resembled closely the United Nations Security Council Resolution 242, passed in November, 1967—major

Israeli withdrawal, mutual recognition, freedom of navigation, and international status for Jerusalem. Privately, United States negotiators argued in Tel Aviv that a Palestinian West Bank was inevitable and necessary to a stable peace.

The Rogers Plan was the most ambitious American initiative up to that time. However, the 1970 cease-fire along the Suez Canal, which grew out of the Rogers diplomacy, collapsed after a few months in the wake of the continued installation of Soviet missiles in Egypt. At the same time, the Israeli government was extremely hesitant to enter into any negotiations with Egypt on an informal basis, nor did Israeli leaders consider it necessary to come to terms with Palestinian nationalism.<sup>3</sup> Thus, there was no progress beyond the cease-fire and, after its collapse, American arms flowed to Israel at higher levels than ever. The two superpowers were again competing for clients—although both hoped that the growing military arsenals would deter war.

The lack of progress toward a settlement during this period was leading the United States to rely again on the traditional Arab monarchies that were both more tolerant of United States support for Israel and less receptive to Soviet overtures. Although American troops were not committed to the 1970 Jordanian civil war, the United States gave King Hussein diplomatic and financial support. The fighting between royalist troops and Palestinians was ended through the mediation of the League of Arab States, but not before the support of the United States for the Hashemite throne had been made clear.<sup>4</sup>

Saudi Arabian interests were also assumed to be compatible with American foreign policy aims. During the period between the 1967 war and the October, 1973, war, the Western industrial economies were booming; their demand for Middle East oil more than doubled. Iran and Libya, both vigorously anti-Communist, began to appear anti-Western simultaneously, as they led the OPEC (Organization of Petroleum Exporting Countries) moves to consolidate the oil producers’ increasingly advantageous market position. However, Saudi Arabia, the major oil power in the Middle East (and the world), was less demanding. In addition, Saudi Arabia was not viewed as a problem for United States policy in the Arab-Israeli conflict, mainly because the Saudi-Egyptian rapprochement (1967– ) was viewed as quixotic, not permanent. A 1969 Rabat conference of Islamic states failed to produce any dramatic inter-Arab cooperative ventures, in contrast to the reconvening of the summit there in 1973.

As far as Egypt was concerned, there seemed to be little need for any fresh American overtures toward President Anwar Sadat. Tensions between Egypt and the Soviet Union, which culminated in the expulsion of Soviet advisers in the summer of 1972,

<sup>2</sup> The cold war theme did not dominate all United States-Egyptian contacts during these years, however. Miles Copeland, in *Game of Nations* (New York: Simon and Schuster, 1969), relates other, more pragmatic, aspects of United States policy from his vantage point as an “informal” American contact with and adviser to Egyptian President Gamal Abdel Nasser. One of these was the “Johnston Plan” under which the waters of the Jordan River were to be directed to agricultural development by multilateral decisions among the present protagonists in the Arab-Israeli conflict. Copeland describes the reasons why this failed; the book is instructive background for understanding contemporary accommodation schemes.

<sup>3</sup> A detailed account of the Rogers Plan period can be found in Robert J. Pranger, *American Policy for Peace in the Middle East, 1969–1971* (Washington, D.C.: American Enterprise Institute, 1971).

<sup>4</sup> Bernard and Marvin Kalb’s *Kissinger* (Boston: Little, Brown and Company, 1974) discusses the Jordanian civil war as it was perceived in Washington, including the development of the rather bizarre possibility that Israeli planes would come to the defense of King Hussein if Syrian intervention continued. For a different, “on the scene,” account of the civil war, see John K. Cooley, *Green March, Black September* (London: Frank Caas, 1973).

were taken as a sign that the Suez front would remain quiet and that Soviet influence was declining without any interference by the United States. It was assumed that President Sadat's "Year of Decision" had been indefinitely postponed.

Israel's 1967 conquests had put the Arab leaders under severe pressure to recoup their losses. At the same time, the problems of occupation led one Israeli to comment: "We set out to kill a snake, but we have swallowed it instead."<sup>5</sup> The prevailing opinion in the United States was that the outcome of the 1967 war had introduced a measure of stability into the region. Neither the Arabs nor the Israelis were so sanguine. Their perceptions turned out to be more accurate.

### THE 1974 NEGOTIATIONS

After the 1973 war, Israeli leaders' confidence in the ability of their army to provide them with lasting security was dissipated. On October 9, 1973, General Moshe Dayan stated that: "we can no longer master the Arabs."<sup>6</sup> In Egypt, President Sadat gained negotiating flexibility as his army's successful Suez Canal crossing raised his stature.

Faced with this opportunity to build on the post-war military stalemate, Secretary Kissinger stepped in with proposals for limited accommodations. Although he spoke of a "structure of peace," the separation of troops was largely accomplished without public guidelines for final adjustment. In contrast to the Rogers Plan, the approach was pragmatic. Leaders on each side were to show their constituents that a step toward their still divergent aims had been made. Syria regained Quneitra; Israeli settlements in the Golan are now buffered by United Nations troops. Israeli troops in the Sinai have been pulled back; progress was made toward opening the canal. Before the October, 1974, Arab summit conference at Rabat, Jericho was to have been returned to Jordanian administration as well. In the negotiations, Kissinger wanted the protagonists to articulate their own demands without being led by the United States. But the approach to disengagement bears the Secretary's mark of trying to build positive incentives into the ongoing negotiation process. Israeli withdrawal was incomplete; yet the portions of occupied territories that were returned were of disproportionate significance, i.e., major towns and the canal area.

These first limited steps are especially appropriate in the Middle East setting, with its ill-defined and conflicting perceptions of national boundaries. Israeli historian Yehuba Harell, who founded a Golan

Heights kibbutz following the 1967 war, argues that "Israel has no borders, only cease-fire lines. If we give up one settlement, there will be no reason not to give up others."<sup>7</sup> Jordanian and Syrian borders are also ambiguous. Jordan's occupation of the West Bank dates from 1947, and Syria has not completely assimilated the native Druze population in the Golan. Without territorial guidelines, other bases for agreement must be found.

In 1974, United States diplomacy shifted its attention from the question of borders to that of internal development. The United States made modest technical assistance funds available to Egypt and set aside similar funds to be used by Syria in the event of accommodation in the Golan. At the same time, American minesweepers began to clear the Suez Canal. Almost simultaneously, the Iranian and Saudi Arabian governments initiated larger development programs of their own. In June, 1974, Iran, an ally of the United States and of Israel, announced that she would make a \$250-million loan to Egypt for the reconstruction of Port Said as well as multi-million dollar loans to Syria. Saudi Arabia, which has recently concluded a massive technical cooperation agreement with the United States, is participating in a \$2.5-billion aid program, primarily for Egypt and Syria.

The United States policy of providing economic incentives to the Arab states for normalizing relations with Israel assumes that the conflict can be defused. But three unresolved issues threaten to undermine the effectiveness of such a policy, whether or not it is logically sound: (1) the fate of Palestinian nationals, (2) the reaction of the United States to steadily increasing demands by Middle East oil-producing countries for higher prices and more decision-making power, and (3) the continued arms race in the Middle East.

### THE PALESTINIAN QUESTION

One of the major factors that has inhibited accommodation between Israel and her Arab neighbors has been the continued activity of the Palestinian guerrillas. Palestinian raids into Israel have provoked Israeli retaliation in the neighboring Arab countries. Lebanon, the most pacific of Israel's neighbors, was satisfied to let Israeli army units patrol their shared border until the Israeli probes began to reach deeper into Lebanese territory. By August, 1974, the Lebanese army had engaged Israeli half-tracks in exchanges of fire. Such exchanges have continued with increasing intensity.

In years past, Jordan and Syria have also borne much of the brunt of Palestinian frustration when they faced Israeli reprisals within their respective borders. Whether one views the conflict through the perspective of Israeli security needs or Arab demands

<sup>5</sup> Amos Elon, *The Israelis: Founders and Sons*, 2d ed. (New York: Bantam Books, 1972), p. 40.

<sup>6</sup> *Manchester Guardian*, January 23, 1974.

<sup>7</sup> *The New York Times*, March 28, 1974.

for the return of the captured territories, the reality is continued instability for the Arab governments adjoining Israel as long as the Palestinian issue remains unresolved.

As a result, the fates of the Arab states are linked to the Palestinians to a far greater extent than they were three decades ago. Another factor that has contributed to this linkage was the 1973 contribution of the Palestinian Liberation Organization (PLO) to the intelligence operations of the Egyptian and Syrian armies and to the back-up manpower support in occupying "cleared" areas.

Looking toward Geneva in the summer of 1974, Jordan and Egypt agreed on a 50-50 representation formula for the Palestinian Liberation Organization and Palestinians resident in Jordan, in order to promote direct Palestinian participation in the Geneva peace talks. This was as moderate a position as any Arab government could take publicly, especially because Arab states are anxious to see the Palestinians negotiating for themselves. The unanimous Rabat decision (which supersedes the Egypt-Jordan agreement) to recognize the PLO as the legitimate representative of the Palestine national movement is widely thought to have followed private Arab agreements to retain a flexible approach to negotiations despite the PLO's new authority. In his United Nations speech, however, Yasir Arafat chose to emphasize the PLO's objective of a multinational, secular state of Palestine, rather than the milder proposal for a West Bank state reportedly urged upon him by other Arab leaders.

Because of the PLO decision, the Rabat meetings have been described as a watershed, after which the Arab positions have polarized. This assessment is only partly accurate. Syria has agreed to two new proposals—the extension of the United Nations presence in the Golan, and Syrian participation in the Geneva negotiations.

The Israeli government, too, has publicly extended itself further in the last few months than in the last three decades. Foreign Minister Yigal Allon has committed Israel to support of the concept of Palestinian nationalism, even though his ideas with regard to the territorial expression of that nationalism still diverge widely from Arafat's views. Allon speaks in terms of a Jordanian-Palestinian federation. King Hussein proposed this solution himself in March,

1968; but at that time this solution was much less attractive to Israel.

## OIL POLITICS

Another political reality that affects the usefulness of the United States as a mediator is that much of its influence in the Arab-Israeli conflict is exerted through the oil-producing states. This means that confrontations over oil tend to spill over into the Arab-Israeli arena.

The oil issue is not simply that the Western world has been suddenly and permanently brought to its knees by a handful of oil barons.<sup>8</sup> Terms of trade in oil have changed dramatically, it is true. In the last three years, oil prices have more than quadrupled, and the producer states' shares in the production structure have grown, to an average share of about 75 percent.

However, oil profits will not continue to rise at such a rapid rate. A number of factors are expected to prevent further increases in the price of oil. One is a reduction in the total demand for oil (estimated at a seven-percent decline this year for West Germany alone) in some countries and a decline in the growth of demand in other countries. Another is the expansion of supplies, chiefly from the North Sea and Alaskan fields.<sup>9</sup>

Whether the producing countries within OPEC (a number of which are *not* Arab) react to the possibility of lower prices by reducing production levels depends on the individual needs of the countries. Iran, for example, needs oil revenues for her growing population and for her industrialization programs. Saudi Arabia, on the other hand, with a population one-sixth the size of Iran's, still has much of its oil revenues invested in short-term deposits in London and New York banks.<sup>10</sup>

Another factor that the "oil for Europe, support for the Arabs" equation failed to consider was the vigorous American support for an oil-pooling arrangement during future shortages. A 15-nation International Energy Agency (IEA) began functioning in November, 1974, under the umbrella of the OECD. The agency is responsible for allocating oil in emergencies, in an arrangement similar to the one that operated successfully in the wake of the abortive 1956 Suez invasion.

The agency is particularly important to West Europe, which felt the impact of rising oil prices far more severely than the United States. In terms

(Continued on page 81)

<sup>8</sup> See, Simon Head, "The Monarchs of the Persian Gulf," *New York Review of Books*, March 21, 1974.

<sup>9</sup> On October 3-4, 1974, the American Enterprise Institute held a conference entitled "Dialogue on World Oil," the proceedings of which have been summarized in a booklet and are available from the institute, Washington, D.C.

<sup>10</sup> The international financial aspects of the oil crisis are discussed in a pamphlet compiled by John Anthony, entitled "How Will We Pay for Oil," *Middle East Problem Paper*, 1, The Middle East Institute, Washington, D.C.

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*"The United States is regarded as the negotiating power that must help achieve peace with the Arabs. But there is also a recognition, at least implicitly, that the United States does not see eye to eye with Israel on all the specifics of the peace equation and that there are areas of potential conflict."*

## Change and Continuity in Israel

BY BERNARD REICH

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THE 1973 ARAB-ISRAELI WAR wrought substantial change in Israel. The change has continued to make its impact felt well after the initial anniversary of that conflict,<sup>1</sup> although its full extent has not yet been realized. There have been major alterations in the political environment, including the cease-fires of October, 1973;<sup>2</sup> the elections of December, 1973; the disengagement agreements between Israel and Egypt (January, 1974) and Israel and Syria (May, 1974); the resignation of Prime Minister Golda Meir's government and the installation of the Yitzhak Rabin Cabinet; United States President Richard Nixon's visit to the Middle East in June; the continued diplomatic efforts of United States Secretary of State Henry Kissinger; and the increased international status of the Palestine Liberation Organization (PLO).

The war stunned a population that believed that the Arabs would not dare attack, given the relative strength of the two sides. Israel's confident optimism was eroded by the war, and the subsequent reevaluation tended to breed a feeling of uncertainty. There was a mixture of anger and frustration engendered by political and military factors associated with the conduct of the war. Despite significant military accomplishments, Israel was unable to achieve her desired goals (because of international pressures); the losses she suffered (more than 2,500 killed and more than double that number wounded) added to the sense of concern. The number of casualties was substantially greater than the casual-

ties of the 1967 war, and the sorrow was further magnified by the small size and close-knit nature of Israeli society. Israel's prewar euphoria and self-assuredness was displaced by a more sober and realistic outlook that helped to foster political and social maturity.

Israel's immediate postwar gloominess has given way to a new spirit of sacrifice and tenaciousness. A sense of vulnerability has begun to act as a corrective to prewar overconfidence. Israelis again realize that in the end they must depend on themselves. This realization has resulted in a greater turning inward and an increased willingness to participate in cooperative defense and security efforts.

There is a heightened interest in politics. There is also more caution, more questioning of attitudes and policy, and more criticism of both the system and the people who run it. This is a direct result of the crisis of confidence created by the "errors" of the war, some of which were detailed in the report of the blue-ribbon Agranat Commission empaneled to investigate the factors associated with the conflict.<sup>3</sup>

Deteriorating economic conditions contributed to the unsettling circumstances. The prewar economic boom was replaced by increasingly stringent conditions in the postwar period. Increased taxes and war-related levies were introduced, and a high rate of inflation (approximating 40 percent) began to have its impact. Initially, the economy was slowed by the mobilization of much able-bodied manpower, not only during the war but in the period that followed. The replacement of military equipment lost in battle, the servicing of the prewar debt, and the acquisition of new matériel to meet current and future defense needs added to the burden. But there was also the realization that Israel could not readily reduce non-defense expenditures. There were the requirements of immigrant absorption and the need to continue development programs and to deal with

<sup>1</sup> On the immediate impact of the war see Bernard Reich, "Israel Between War and Peace," *Current History*, vol. 66, no. 84 (February, 1974), pp. 49-52.

<sup>2</sup> The first was on October 22 and the second came into effect on October 24.

<sup>3</sup> Excerpts from the Agranat Commission's Partial Report appeared in *The New York Times*, April 4, 1974. The full text may be found in the *Journal of Palestine Studies*, vol. 3 (summer, 1974), pp. 189-207.

social and economic gaps. In a partial effort to improve the situation, the Israeli pound was devalued by 43 percent and a broad-scale austerity program was instituted.<sup>4</sup>

### POLITICAL CHANGE

The war accelerated the momentum for political change, though it did not create it. In a society where political participation is widespread and where views are intense and diversified, the war increased the interest, concern and participation in politics of the younger, better educated and generally native-born generation. The impact was only partly reflected in the elections for the eighth Knesset (Parliament) and of local authorities that were held at the end of December, 1973. Despite last-minute pre-election polls that suggested important shifts in voting patterns on election day, the results seemed to indicate that nothing had really changed. There had been some expectation that the Likud (a bloc of right-wing opposition parties) would rival the Labor Alignment (Ma'arach—the Labor party and Mapam) and that both the Citizens' Rights and Moked parties would demonstrate newly developed strengths. This was not evident in the final tabulations.<sup>5</sup> Still there were changes. The Alignment lost 6 of its 57 seats, while the Likud increased its strength by 8 seats to 39. The religious parties lost 2 of their 17 positions.<sup>6</sup> There were also shifts within the parties, as younger elements began to assert themselves and sought to affect political positions.

After initial difficulties, Golda Meir was able to form a coalition Cabinet essentially the same (the Alignment, the National Religious party and the Independent Liberals) as the Cabinet that had governed prior to the elections and had served as caretaker since. This government was confirmed by the Knesset on March 10, 1974, by a vote of 62 to 46 (with 9 abstentions). But on April 10, Meir resigned, in large measure because of the debates within the Labor party on the political responsibility for

Israel's lapses at the outset of the October War. Her resignation set the stage for the selection of a new Prime Minister and the formation of a new coalition. The major member of the Alignment, the Labor party, had to choose a successor to be nominated by the President to form a new government. The choice was between two relatively young members of the establishment: General Yitzhak Rabin, the chief of staff during the 1967 war who later served as ambassador to the United States and, subsequently, as Minister of Labor in Golda Meir's Cabinet; and Shimon Peres, who was then Minister of Information but who for a long time had run the Defense Ministry. Rabin and Peres are relatively young (in their fifties) and belong to the new generation—not the group of pioneers who came to Israel at the beginning of the twentieth century and who have controlled Israeli politics since.

Rabin was chosen, but it was not clear that the coalition could achieve sufficient strength to endure. Rabin's qualifications were also questioned. There was the so-called Weizman document, in which opposition leader and former General Ezer Weizman argued that in 1967 Rabin had been unfit to make important decisions at a critical juncture. Prior to the post-1973-war Cabinet, Rabin's major posts were that of a general in the army, chief of staff, and ambassador to the United States, positions which hardly prepared him for the rough and tumble of Israeli politics. He was also called to task for accepting speaking fees while ambassador to the United States.

In Rabin's government, Yigal Allon replaced Abba Eban as Foreign Minister; Shimon Peres replaced Moshe Dayan as Defense Minister and Yehoshua Rabinowitz replaced Pinhas Sapir as Finance Minister. The coalition that supported Rabin in Parliament had a new composition. The National Religious party (NRP) did not participate in the coalition and was replaced by the Civil Rights party which had campaigned, in part, against the special position of religion in the state.<sup>7</sup> However, by the anniversary of the war, the internally split NRP agreed to join the coalition while the Citizen's Rights party withdrew. Despite Rabin's slim margin, his government showed a remarkable stability during its initial months of activity, and many observers began to detect a return to "politics as usual." But the change in Prime Ministers signaled what might be the most important political shift in Israel—the transfer of leadership from the generation of the immigrant-founders to the native-born sons.

### SECURITY AND DEFENSE

Security continues to be the central concern of Israel and her decision makers.<sup>8</sup> In June, 1974, Prime Minister Rabin noted: "The maintenance of

<sup>4</sup> The announcement, on November 10, 1974, was accompanied by public opposition and a wave of demonstrations.

<sup>5</sup> The elections could not reflect the full extent of popular disaffection and disillusionment, in part because the proportional representation system does not allow voters to differentiate between those they wish to castigate and those they wish to endorse if they belong to the same party.

<sup>6</sup> The remaining seats were distributed as follows: Independent Liberal party, 4; Rakah-New Communists, 4; Citizens' Rights Movement, 3; Moked, 1; Arab parties, 3.

<sup>7</sup> Presenting his Cabinet to the Knesset on June 3, 1974, Rabin indicated his hope that a way would be found for the NRP to join the government and the portfolios formerly held by the NRP were to be held in trust by other ministers in the interim.

<sup>8</sup> On the centrality of security in Israel, see Bernard Reich, "Israel's Quest for Security," *Current History*, vol. 62 (January, 1972), pp. 1-5, 48, 52.

the strength and power of the IDF [Israel Defense Forces] is the guarantee of our security. . . . The IDF is prepared to confront the new military reality."<sup>9</sup> This assessment reflected Israel's confidence that the revitalization of the military had been accomplished.

Israel had lionized her military. In the popular view, the IDF's capability for combat reached near legendary levels; and its intelligence services were regarded as among the finest in the world. At the same time, Arab military capabilities were downgraded, and senior Israeli decision makers had talked about the absence of war in the Middle East for the next 10 to 15 years. The October War changed this attitude. Despite the substantial achievements of the IDF in October, 1973, there was a failure of military intelligence. There were also heavy losses in battle, and there were questions regarding military preparedness, strategy and tactics. The interim report of the Agranat Commission, which dealt with some of these matters, led to the resignation of the chief of staff, and the replacement of the chief of military intelligence and his deputy, as well as other senior intelligence officers. Other officers were also moved from command positions. This phenomenon was given further impact by the public conflict between generals on questions of strategy and tactics. Politics in the military began to surface; the most critical queries centered on the role of the Minister of Defense, General Moshe Dayan, who had been regarded by many Israelis for a long time as "Mr. Defense."

The cease-fires of October did not end the hostilities. A semi-war atmosphere, with the attendant mobilization of large numbers of reservists and tensions on the home front and at forward positions, remained for months after the war. Tension contributed to the Israeli uncertainties and further affected the orderly pursuit of change. Only with the implementation of the disengagement accords was Israel able to concentrate fully on the reorganization and redeployment of the military, the acquisition of equipment, the reinfusion of morale

and the restructuring of the political environment. The military has undergone substantial restaffing. General Mordechai Gur has been appointed chief of staff, and there have been changes in senior posts in the military. A change in emphasis within the military, stressing different tactics<sup>10</sup> and different services, has been reported.<sup>11</sup> By the anniversary of the October War, the IDF was apparently fully prepared to perform its assigned tasks for the defense of Israel.

## ISRAEL AND THE UNITED STATES

An essential element in Israel's defense calculations has always been a dependable source of arms at reasonable prices. Rabin has said: "We believe that by having arms enough to make it possible for us to defend ourselves, by ourselves, we increase the prospects for peace as well as be ready [ourselves] in case of war."<sup>12</sup> The United States is the only possible source for the military equipment that Israel currently requires for her defense.

The Arab-Israeli war was followed by increased international isolation and increased dependence on the United States, not only for military equipment, but for economic, political and moral support. The United States is regarded as the negotiating power that must help achieve peace with the Arabs. But there is also a recognition, at least implicitly, that the United States does not see eye to eye with Israel on all the specifics of the peace equation and that there are areas of potential conflict. Israel's increased dependence is a matter of some concern to Israelis who anticipate that they will pay a price for United States assistance, including the relinquishing of territory and other concessions that Israel would probably prefer not to make. There is a growing realization of the constraints under which the United States is operating, and there is some concern about the United States commitment to Israel and the guarantees to Israeli security.<sup>13</sup> Israel is anxious about the United States relationship with the Arabs, and especially with Egypt. While improved United States-Egyptian relations are advantageous in that they may facilitate peace, Israelis fear that the improvement in relations will come at Israel's expense. But there is no real alternative for Israel,

*(Continued on page 84)*

<sup>9</sup> Prime Minister Rabin on presenting his government to the Knesset, June 3, 1974.

<sup>10</sup> Of these, perhaps the most interesting is the decision to establish a mobile defense system in Sinai, instead of the static defense system based on the Bar-Lev line that had been employed before the October War.

<sup>11</sup> There were reports, for example, that the navy would get a larger share of the budget because of its outstanding performance in 1973 and the increased importance of its activities in the Red Sea.

<sup>12</sup> Yitzhak Rabin, *Meet the Press*, September 15, 1974.

<sup>13</sup> The nature of the commitment and the extent of the guarantees remain imprecise but there is a general feeling that the United States would not permit Israel's destruction. For further discussion of this point see Bernard Reich, "The Israel-U.S. Relationship—The Impact of the June War," *The Wiener Library Bulletin*, vol. 23 (1969), pp. 2-12.

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*"Faced with the ever present threat of renewed warfare and caught in the tightening grip of conflicting Arab, Palestinian, and Israeli interests and ambitions, Jordan will continue to mark time until the West Bank issue is finally resolved."*

## Jordan: The Price of Moderation

BY NORMAN F. HOWARD\*

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ONE YEAR AFTER the October, 1973, Arab-Israeli war, little appeared to have changed on Jordan's political and economic scene. The kingdom remained at peace with Israel; the Palestinian guerrillas continued to be excluded from the country; and the borders were quiet. Jordan's nominal participation in the fighting caused no lasting economic disruption, and the second year of her three year plan was completed satisfactorily. In regional affairs, Jordan made considerable efforts to strengthen ties with her Arab neighbors. On the surface, then, King Hussein seemed in firm command; the army, although restive, remained loyal; and political conflict was contained.

But despite the apparent calm, tensions inherent in Jordan's delicately balanced political and social structure occasionally surfaced, revealing the fragile character of the country's stability. While Palestinian citizens of Jordan were generally quiescent, their presence continued to be the country's potentially most explosive problem. The Palestinian question underlay Jordan's political life, and dominated her foreign policy. The political pulse quickened toward the end of 1974, following the October, Arab summit conference in Rabat. Basic constitutional changes are now in preparation. In fact, the emergence of the Palestine Liberation Organization (PLO) as the probable heir to Jordan's occupied West Bank threatens radically to transform Jordanian politics.

Uncharacteristic difficulties with the army marked

Jordan's politics during 1974. There were reports that in late November, 1973, 22 army officers were arrested for incitement against the King; they were said to have opposed the government's refusal to open a third front against Israel along the Jordan River or to permit other Arab armies to enter Jordan for such an effort.<sup>1</sup> Further unconfirmed reports stated that a number of tribesmen were executed in December, 1973, for plotting to overthrow the Hussein regime.<sup>2</sup> The government's edginess was indicated by the reimposition of press censorship and the suspension of an Amman newspaper early the next month.

More serious than these episodes was the February, 1974, "mutiny" in Zarqa among bedouins of the 40th armored brigade, an elite force recently returned from service on the Syrian front. The outbreak was prompted primarily by discontent with the high cost of living. Various reports, however, suggested that the mutineers, officially estimated at no more than 50 officers and men, were also displeased with corruption in official circles. According to press reports from Beirut, the soldiers demanded the dismissal of Lieutenant General Sherif Zayd ben Shakir, a cousin of Hussein, Prime Minister Zayd Rifai, and Bahjat Talhouni, Chief of the Royal Court, and called for the establishment of a military government and an increase in pay. Some observers concluded that the mutiny signaled an effort by some anti-Palestinians to separate Jordan from the West Bank. Crown Prince Hassan was reportedly unable to quell the disturbances, forcing the return of King Hussein, who was in London en route to the United States.

The mutiny ended after the government announced a pay raise. Premier Rifai termed accounts of the incident "exaggerated and distorted," explaining that it involved a "small number of soldiers in certain units . . . [who submitted] petitions within the framework of absolute allegiance to the King and Throne" for the improvement of living conditions.<sup>3</sup> Wherever the truth lay, it was evident that

\* The views expressed in this article are the author's own and do not necessarily reflect those of the United States Department of Commerce.

<sup>1</sup> *The Washington Post*, December 6, 1973; *The Arab World* (Beirut), January 23, 1974. The Jordanian government maintains that it was not informed prior to the outbreak of the war, and that lack of adequate air defenses prevented the opening of a third front. The last Jordanian troops sent to Syria were withdrawn by January, 1974.

<sup>2</sup> *Middle East Economic Digest*, January 11, 1974.

<sup>3</sup> *The Arab World*, February 8, 1974.

there was a certain ferment within the army, and that bedouin troops had for the first time in many years staged a public demonstration of their grievances. Hussein's ability to appease the dissidents suggested to the editors of *The Economist* that the King's "baraka . . . and the bedouin respect for it remain the single most important force in Jordanian political life." They went on to note soberly that "this is a perilously narrow foundation for any state."<sup>4</sup> Indications of continuing trouble in the military establishment surfaced within several months with a report of arrests among air force pilots for allegedly planning to overthrow the King.<sup>5</sup>

### RESURGENCE OF THE WEST BANK

For the first time in years, the situation on the Israeli-occupied West Bank appeared at least as volatile as the situation on the eastern side of the Jordan River. One West Bank intellectual has termed the Palestinians living there "a society rediscovering itself."<sup>6</sup> If so, the rediscovery has taken a pro-PLO, anti-Hussein direction. The October War instilled a new sense of pride and hope on the West Bank. A resurgence of nationalist feeling among East Jerusalem Arabs prompted many to identify with the PLO and to support the Palestinian National Front, a clandestine organization established shortly before the war.<sup>7</sup> Although the Israelis do not allow public discussion of discontent with the occupation, West Bank Palestinians have begun to discuss their political future more openly, albeit still with considerable caution.

The symbolic opening of the Geneva peace conference in December, 1973, initiated a new round of political rivalry between West Bank separatists, in particular the PLO, and King Hussein. PLO support, however, seems to be based less on positive

\* Fatah is the acronym of *Harakat Tahrir Filastin*, Palestine Liberation Movement, in reverse. It is a terrorist group led by Yasir Arafat.

<sup>4</sup> *The Economist* (London), February 16, 1974. *Baraka* is a kind of God-given grace or blessing power. For various interpretations of the incident, see *The Washington Post*, February 7, 1974; *The Arab World*, February 7, 1974, February 8, 1974. For a more general discussion of the King's precarious political situation in the light of the mutiny, see "The Dilemma of the Hashemites," *al-Balagh* (Beirut), February 25, 1974, in *Journal of Palestine Studies*, vol. 3 (spring, 1974), pp. 163-167.

<sup>5</sup> *Middle East Economic Digest*, May 3, 1974.

<sup>6</sup> *The Jerusalem Post*, May 21, 1974.

<sup>7</sup> The Palestinian National Front calls for the establishment of an independent Palestine entity on the West Bank and the Gaza Strip after evacuation by Israel. It tends to follow the PLO and Fatah line; some of its members belong to the Communist party of Jordan.

<sup>8</sup> See the *German Tribune*, July 25, 1974; also, Ian Lustig, "What do the Palestinians Want? Conversations in the Occupied Territories," *New Outlook* (Tel Aviv), vol. 17 (February, 1974), pp. 25-28. After Rabat, PLO support from the West Bank masses was clearly on the rise.

<sup>9</sup> See Lustig, *op. cit.*, p. 25.

<sup>10</sup> *The New York Times*, August 23, 1974.

identification with its program than on the accumulated bitterness of the Palestinians toward the Hashemites and on a desire to end the occupation. And there is also some question whether West Bank notables, most of them moderates, would welcome the more extreme Palestinian revolutionaries.<sup>8</sup> In an effort to strengthen ties between the two Banks, in December, 1973, Hussein ended duties on Jordanian products shipped to the West Bank; in February, 1974, he also resumed the payment of salaries to some 6,000 West Bank Palestinian employees of the Jordanian government. While the effect of such measures is unclear, it is evident that few prominent West Bank residents have irrevocably broken with the King, caught among the Israeli occupiers, the Hashemites, and the Palestinian guerrilla movements, West Bank Palestinians have learned to walk on both sides of the street.

Political dialogue in occupied Jordan has been accompanied by mounting anti-Israeli violence and dissension. In December, 1973, after the October conflict, a bomb exploded in Jerusalem, injuring 20 persons, while a grenade attack in Nablus seriously wounded the Israeli military governor. Another explosion occurred in East Jerusalem in May, 1974; at the same time three Soviet-made rockets were dismantled before going off. In August, a brawl between Jews and Arabs erupted in the same area, and, in November, an Israeli tourist was murdered in Nablus. More significant, perhaps, for the first time since 1970-1971, in August, 1974, Israeli army units clashed with two separate groups of Fatah\* infiltrators who had apparently crossed from Syria through Jordan into the West Bank and the Jordan Valley. Another guerrilla unit was captured the next month.

In response to these incidents, the Israelis intensified their "strong-arm" security measures. Shortly after the October War, for example, 80 suspected members of the PLO were arrested on the West Bank. In early December, 1973, eight Palestinians were deported to Jordan, and Bir Zeit College was closed for almost a month following protests against the deportations. The Israelis also demolished houses and conducted more frequent night searches and impromptu interrogations.<sup>9</sup> According to Israeli officials, about 900 West Bank Arabs were arrested on "security" charges during the April-August, 1974, period.<sup>10</sup> A new security campaign began late in the year to counter the upsurge in PLO activity.

### HASHEMITES AND PALESTINIANS

The future of the Palestinians constitutes Jordan's most pressing issue. There are about 900,000 Palestinians in East Jordan, of whom an estimated 22 percent are refugees living in East Bank camps, 45 percent registered with UNRWA, the refugee agency, and perhaps 33 percent relatively well absorbed into

the economy and not registered as refugees. Another 700,000 or so live on the West Bank. Hussein's long-standing claim to represent the Palestinians and to negotiate on their behalf created severe difficulties with the Palestinian resistance, with other Arab states, and apparently within his own royal family. Crown Prince Hassan, for instance, reportedly argued that the monarchy might collapse as a result of the government's pressing its case to represent the Palestinians—whether from a Palestinian-led “nationalist” campaign against the Hashemites or from the creation of an anti-Hashemite Palestinian entity in the area. On the other hand, despite his obvious weariness with the problem, the King may fear that disengagement from the Palestinians would be ruinous because of their crucial role in Jordan's administrative and demographic structure.<sup>11</sup>

On the surface, Hussein's Palestinian policy has been moderate and unexceptional. He has proposed a U.N. plebiscite among the Palestinians of the West Bank to determine their views. They might remain an integral part of Jordan, or become a component of a restructured Jordanian federation, or become independent. At a banquet for visiting United States President Richard M. Nixon in June, 1974, the King declared that the Palestinian problem was never one of refugees only, but a question “of the inherent rights of a people to return to their homeland and to determine their own future.”<sup>12</sup>

At least until the Rabat conference, the most contentious points were Jordan's insistence that she have the main role in negotiating for the return of the West Bank prior to its ultimate disposition, and Jordan's rejection of the PLO's claim to be the sole representative of the Palestinian people. This latter stance put Jordan at odds with every other member of the Arab League. Throughout 1974, King Hussein strove to make his policy more acceptable. In February, 1974, it was announced that Jordan would not object to the presence of a Palestinian delegation at the Geneva conference; the Minister of Information declared that the PLO was “one of the parties which represent the Palestinian people.”<sup>13</sup> Further-

more, in May, the King suggested that the PLO presence in Geneva would be a “natural thing”; if the Arab states wished to make the PLO solely responsible for the liberation of occupied Palestine, then Jordan would have to accept that decision. At the same time, Jordan made it clear that she would not attend the peace conference if the PLO were permitted to ask for the return of the West Bank.<sup>14</sup>

The darker side of Jordan's policy, in the view of the PLO leadership, is Hussein's categorical rejection of a commando presence in Jordan and his “suppression” of the Palestinian people. In fact, there has been no meaningful political contact with the resistance movement since the guerrillas were ousted from Jordan in 1970–1971, although Arab summitry may change this equation. The Palestinian news agency, WAFA, claimed that 97 persons were arrested in Jordan at the end of 1973 on charges of belonging to guerrilla organizations and opposing the Hussein regime. PLO head Yasir Arafat charged later that the Jordanian government held 8,000 Palestinians in jail, presumably on security grounds. Further aggravating the Jordanian-Palestinian relationship was the “kidnapping” in July by Jordanian military intelligence of Salih Raafat, a leader of the Popular Democratic Front for the Liberation of Palestine (PDFLP).<sup>15</sup> A month later, nine Palestinians, including the secretary of the Metal Workers Union and a member of the executive bureau of the Bank Employees Union, were reportedly arrested in conjunction with “trade union” activities. Moreover, WAFA reported in September that the Jordanian army had clashed with a guerrilla band following the latter's return from a mission against an Israeli settlement.

That there is no love lost between the PLO and the Hashemites is clear. Farouk Kaddoumi, head of the PLO's political department, has emphasized the difficulty of reconciliation with Hussein: “We are a revolution, and the Jordanian regime is an enemy of revolution and progress.”<sup>16</sup> Another PLO spokesman, Salah Khalaf, suggested that an accommodation is possible only if Jordan renounces the United Arab Kingdom plan for incorporating the West Bank and the Gaza Strip in a federated kingdom and recognizes the PLO as the sole representative of the Palestinian people. In blunt language, Khalaf declared: “. . . we refuse completely the return of the West Bank and the [Gaza] Strip to Hussein's regime.”<sup>17</sup> Similarly, Nayef Hawatmeh, the Marxist head of the PDFLP, has stated that the establishment of a Palestinian national authority in the West Bank would be only a first step toward the overthrow of Hussein and the unification of the two banks on a national, democratic basis. Others have hinted at civil war were Hussein to recross the Jordan River.

PLO representatives have consistently rejected

<sup>11</sup> *Al-Balagh*, February 25, 1974; See Heinz Gstrein, “Jordan and the Palestinians,” *Swiss Review of World Affairs*, vol. 24 (May, 1974), p. 16, who writes that “the Palestinians feel that it is they, with their capital and their labor, who have truly built up modern Jordan and thus have a genuine claim to an active role in the government.”

<sup>12</sup> *Middle East Economic Digest*, June 21, 1974.

<sup>13</sup> *The Arab World*, February 11, 1974, February 22, 1974. Ironically, 7 of the 11-man Jordanian delegation to Geneva in December, 1973, were Palestinians. *The Washington Post*, September 23, 1974.

<sup>14</sup> *The Arab World*, May 2, 1974.

<sup>15</sup> *Ibid.*, July 18, 1974. Raafat was released after a short detention.

<sup>16</sup> *The Arab World*, July 18, 1974.

<sup>17</sup> *Ibid.*, January 2, 1974.

Hussein's offers of dialogue and policy coordination, warning against Jordanian-Israeli disengagement plans and accusing the King of trying to split Palestinian ranks. PLO media tend to place the Jordanian government in the league with Zionists and imperialists. Point five of the PLO's 10-point program adopted in Cairo in June, 1974, committed the PLO to work for the establishment of a "democratic national authority" in Jordan. In a companion statement issued on June 9, the Palestinian National Council declared its determination:

to offer strong resistance to Zionist occupation and to the conspiracies of the reactionary royalist regime in Jordan . . . and to the imperialist schemes that support it.<sup>18</sup>

This is not idle rhetoric. In February, 1974, Hussein accused Fatah of plotting his assassination and the creation of a revolutionary regime in Jordan. Moreover, on the eve of the Rabat summit in October, Moroccan police arrested 15 Palestinians, apparently in connection with an effort to disrupt the meeting and to murder Hussein.<sup>19</sup> Following the summit, several dissident Palestinian groups called for the overthrow of the King.

#### CONTINUING ECONOMIC PROGRESS

Jordanian preoccupation with the Palestinian question overshadowed economic developments, but work on the three year plan advanced. Not surprisingly, however, defense and internal security absorbed a considerable amount of the available funds, officially about one-fourth of the 1974 budget of JD165 million. The October War had a short but significant impact on the economy, temporarily disrupting international trade, blocking essential imports of food, causing another sharp if temporary reduction in tourism, and adding to an already troubling domestic inflation, estimated at 15 percent in 1974. Government price controls proved ineffective and contributed to hoarding by shopkeepers.<sup>20</sup> Despite these setbacks, the governor of Jordan's Central Bank declared his faith in the strength of the economy, while other local observers pointed to an economic "boom" following the October hostilities.

<sup>18</sup> For the full text of these statements, see *Journal of Palestine Studies*, vol. 3 (summer, 1974), pp. 224, 225-226.

<sup>19</sup> CBS Evening News, October 22, 1974; *The Washington Post*, October 24, 1974, November 5, 1974. Salah Khalaf, the number two man in Fatah, under Arafat, was implicated in the plot, but was not among those arrested.

<sup>20</sup> See *Middle East Economic Digest*, July 12, 1974; also, *The Economist*, February 16, 1974. As noted, high prices contributed substantially to the February army mutiny.

<sup>21</sup> For a discussion of Jordan's industrial and other development projects, see Frederick King Poole, "Made in Jordan," *Aramco World Magazine*, vol. 25 (May-June, 1974), pp. 44-48.

<sup>22</sup> Jordan's phosphate reserves have been estimated at one billion tons. Phosphates are the kingdom's most important export and income earner.

<sup>23</sup> *Al-Dustur* (Amman), November 14, 1973.

The success of the kingdom's development program continues to depend on careful planning, the Jordanians' notable capacity for discipline and sacrifice, and large doses of foreign aid.<sup>21</sup> Under the plan, Jordan's power, communications, and transportation systems are being gradually transformed. The oil refinery at Zarqa is undergoing expansion; and a new ceramics plant will add to the small industrial base. Efforts are also under way to develop East Bank tourism by emphasizing historical sites and the beach resort at Aqaba. To assist Jordan's search for mineral resources, a United States Geological Survey team toured the country for 4 months in 1974. An unexpected boon has been the dramatic increase in world phosphate prices, which should vastly improve Jordan's 1974 phosphate earnings.<sup>22</sup> Hopes were also expressed that marketable quantities of copper had been discovered in the Wadi Araba area of southern Jordan.

As is the case elsewhere in the Middle East, a major problem has been Jordan's continuing inability to feed her population. In Jordan, agriculture provides subsistence for nearly 60 percent of the population, employs about 40 percent of the labor force, and accounts for approximately 25 percent of the national income.<sup>23</sup> Less than one-tenth of the land is cultivated, however. A bumper 1972 harvest was followed by drastically lower crops in 1973; wheat production alone declined from 211,000 tons to 50,000 tons. Consequently, Jordan's first import is food, and in 1974 the United States agreed to provide 50,000 tons of wheat.

Attention to international economic relations has brought significant benefits to the Jordanian economy. At the beginning of 1974, a \$5-million, 20-year development loan from Iran was announced, as well as a \$3-million credit with which to finance the purchase of Iranian goods and services. A new trade agreement was signed later with Iraq. Qatar also announced a substantial development loan, while Abu Dhabi gave \$15 million as a gesture of support for Jordan's participation in the October War.

In February, 1974, a West German Development delegation discussed airport, railway, and hospital projects with Jordanian officials, and in August the West Germans lent Jordan \$24 million for the construction of a new international airport in the capital. The Crown Prince visited Taiwan in May for talks on economic cooperation. His visit was followed by a trip to Japan to seek additional aid for the country's telecommunications network, and a visit to West Germany in July. During the summer of 1974 Jordan negotiated with the European Economic Community for the initiation of an EEC investment program. Jordan had previously asked France to supplement her small involvement with increased technical assistance for the three year plan.

Jordan's foreign policy after the October War was shaped by the growing diplomatic activism of the Palestinians, the tortuous search for peace with Israel, and the need to maintain as many friends as possible in a world that finds the Hashemites more and more alone. Jordan's sense of isolation was emphasized by Hussein in a statement to a Beirut newspaper: "We don't trust anyone. We are satisfied with the attitude of no one and our initiatives are dictated by the opportunities of the moment. Relations between countries are never stable. . . ."<sup>24</sup> As one analyst commented, the thrust of Hussein's Arab policy since the 1970 civil war has been "to minimize the damage other Arab states can do to his regime."<sup>25</sup> In particular, Jordan has attempted to secure a minimum of coordination with Egypt and Syria, the other front-line states. Shortly after the October War, for example, fear was expressed that Egypt might make a separate peace with Israel and leave Jordan to face the enemy alone.

Jordan suffered a major diplomatic defeat at the Algiers summit conference in November, 1973 (which Hussein refused to attend), when only Amman opposed the recognition of the PLO as the sole representative of the Palestinian people. In a vain effort to reverse this decision, Hussein courted various Arab countries, with mixed results. Algeria and Tunisia agreed to renew diplomatic relations with Jordan, and at one point relations with Libya were pronounced "good," although Libyan aid had not been resumed. In May, Hussein paid a state visit to Morocco; in July, he made a short visit to Bahrain, Kuwait, and Abu Dhabi. He also visited Oman, where 200-300 Jordanian troops (mostly engineers) are stationed, for talks with fraternal Sultan Qabus. He met with Saudi Arabia's King Faisal in mid-September to review Jordanian policy. Hussein has referred to "good coordination" with Syria; he praised Syria's war of attrition against Israel in the spring of 1974 as "glorious acts of heroism . . . [which] give us great pride,"<sup>26</sup> and waited for a Syrian-Israeli disengagement before advancing his own claims. The "rapprochement" with Syria has been accompanied by regular high-level visits between Amman and Damascus, and Syria, like Egypt, has urged Jordan to participate in the general Arab diplomatic strategy. Nonetheless, the Jordanian army remains vigilant along the Syrian frontier.

During the summer, Morocco and Kuwait, among other nations, attempted to reconcile the Jordanian and PLO positions. In talks with President Anwar Sadat of Egypt on July 17-18, 1974, Hussein ap-

peared to secure Sadat's support for Jordan's stance on Israeli disengagement in the West Bank. More specifically, Hussein and Sadat agreed that the PLO was the legitimate representative of the Palestinians except for those residing in the Hashemite Kingdom, a formulation that did not actually exclude Jordan's occupied West Bank. This agreement exacerbated differences between Amman and the PLO, however, as well as between the PLO and Egypt, and Sadat reversed himself shortly afterward, creating in turn new difficulties with Jordan. Following a joint Egyptian-Syrian-PLO communiqué in Cairo in September, which advocated an independent Palestinian entity on the West Bank, the Jordanian government angrily reiterated its decision to "freeze every Jordanian political activity or move stemming from Jordan's agreement to participate in the work of the Geneva conference. . . ."<sup>27</sup>

The October, 1974, Rabat summit conference reaffirmed Arab support of the PLO as the "sole legal representative of the Palestinian people on any Palestinian land that is liberated," making Jordan's position untenable. Hussein was obliged to join the other Arab states in recognizing the PLO as the party that was to negotiate with Israel for control of the West Bank. Publicly, the King made the best of a bad situation, calling the decision "a triumph of the Arab nations' will," while Yasir Arafat declared that "there is no personal dispute between me and King Hussein."<sup>28</sup> In return for formally renouncing her claims, Jordan was offered a subsidy of \$300 million per year for the next four years.

Although it seemed improbable that Amman would ever regain undiluted sovereignty over the occupied territory, the full impact on Jordan of the Arab summit is still clouded. As is suggested by the recent removal of the West Bank from representation in the Jordanian Parliament, Jordan may permanently give up her legal claim to the West Bank and opt out of the negotiating process with Israel, concentrating instead on East Jordan's domestic problems. Or Jordan may actively attempt to resolve her differences with the PLO, advance the latter's cause in international forums, and hope that this more charitable approach will solidify Palestinian support for Hashemite rule in Amman, if it will not secure for Hussein a role in West Bank affairs. While reconciliation with the PLO might greatly

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<sup>24</sup> *The Washington Post*, December 13, 1973.

<sup>25</sup> *Ibid.*, January 4, 1974.

<sup>26</sup> *The Arab World*, January 4, 1974.

<sup>27</sup> Amman Radio, September 22, 1974.

<sup>28</sup> *The Washington Post*, October 31, 1974.

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*"In summation, Cairo's policy of relaxing political and economic controls has resulted in significant progress. Egypt's efforts to encourage the return of free enterprise and foreign investment from the Arab and Western states, while retaining reasonable economic relations with the socialist countries, has begun to pay solid dividends."*

## Economic and Political Developments in Egypt

BY DALE R. TAHTINEN

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UNDER PRESIDENT Anwar Sadat, Egypt has moved in sometimes surprisingly and seemingly contradictory directions. However, upon closer scrutiny, it is apparent that Egypt is making a well-planned effort to encourage greater economic growth and to diversify her foreign friends.

One of the trends that has become more pronounced since the 1973 October War has been the regime's effort to encourage free enterprise within the framework of Arab socialism. As a result, Egypt has encouraged foreign companies and governments to invest in various economic projects in Egypt. Thus far, the reaction to these initiatives has been promising. For instance, between January, 1973, and July, 1974, some 18 oil production-sharing agreements were concluded with foreign petroleum concerns.<sup>1</sup>

Thus, Arab oil capital to build the Suez-Mediterranean pipeline. In December, 1973, an Arab pipeline company was created and registered as a private corporation in Cairo with the participation of Saudi Arabia, Kuwait, Abu Dhabi, and Qatar. The Egyptian effort to procure foreign investment was reflected in the fact that the new company was registered in a way that would safeguard it from nationalization or sequestration.<sup>2</sup> The clearing of the Suez Canal and

attempts to rebuild the destroyed urban areas in the Canal Zone also reflected Egyptian efforts to attract foreign capital and expertise. Numerous other projects, although smaller in scale, involve attempts to build petrochemical plants, oil refineries and other petroleum-product manufacturing schemes.

A much longer range project that interests Cairo is the construction of a hydraulic power complex in northern Egypt. To accomplish this feat it will be necessary to dig an approximately 50-mile-long canal from the Mediterranean Sea to the Qattara depression—a project that has been discussed since 1930. Estimated costs were once considered prohibitive but, with the promise of nuclear generators from the United States, the West Germans believe that the cost could be drastically reduced: nuclear explosions could be harnessed to dig the necessary trench. Accordingly, in July, 1974, the West German government agreed to finance a \$2.5-million research program to investigate the problems involved in such a project.<sup>3</sup> When completed, the new complex would reduce some 10,000 megawatts of power and would dwarf the Aswan Dam.<sup>4</sup> In addition, it has been suggested that the salt and oil reserves would be useful in an industrial complex on the shores of the newly created lake; the canal would provide good transportation avenues for the movement of raw materials and finished products.<sup>5</sup>

The major problem at this juncture appears to be the reluctance of the United States Congress to approve the American commitment to provide Egypt with nuclear generators. However, Cairo may solve this difficulty by accepting Moscow's recent offer to provide a nuclear power plant to Egypt (an offer that reflects the way President Sadat has kept his options open).<sup>6</sup>

At the macro-political level, tremendous efforts are being made to attract foreign investment. By the

<sup>1</sup> "Egyptian Oil Industry: Ambitious Plans," *Le Matin-An Nahar Arab Report*, September 16, 1974. See also, "Egyptian Industry: Gathering Speed," *Le Matin-An Nahar Arab Report*, November 11, 1974.

<sup>2</sup> *Ibid.*

<sup>3</sup> A number of Western banks are reportedly already exhibiting interest in financing the plan. See "Qattara Project: Bigger Than Aswan," *Le Matin-An Nahar Arab Report*, August 26, 1974.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> The Soviets are said to have already agreed in principle to build a nuclear reactor under the 1976-1980 five year plan. See the weekly chronology published in *Le Matin-An Nahar Report*, November 11, 1974.

summer of 1974, Cairo was offering a number of positive inducements—permitting foreign businesses to send profits abroad, negotiating an American-Egyptian treaty to quiet fears of double taxation, expanding duty-free zones, and agreeing to try to settle the problem of American property seized during the Gamal Abdel Nasser era.<sup>7</sup>

### AGRICULTURAL PROBLEMS

Meanwhile, in the agricultural sector, there are a number of serious problems, not the least of which is the rapidly growing population that continues to utilize more land for living space and cuts into the country's potential for increasing food production. There is also a serious fertilizer shortage, but the government has been very active in encouraging foreign firms to undertake joint ventures with Egypt to build the necessary fertilizer plants.

Population growth must be controlled and, at the same time, the amount of cultivable land must be increased and production on existing agricultural acreage must be improved. Assuming that the necessary fertilizer plants can be built, at least one United States Agriculture Department official has been quoted as saying that, in Egypt, "there is great potential for increasing production using the new varieties of seed that are the basis of the 'green revolution.'"<sup>8</sup>

Unfortunately, reducing population growth may prove more difficult. In this area, the government has been providing free birth control assistance, and there have been some indications of success. But if Egypt is to achieve significant economic growth in the coming years, much more progress must be made on this crucial front.

Efforts continue to be made to reclaim more land for cultivation, with some success. But, the growing population seems to absorb the land about as fast as it can be reclaimed. Thus, despite the cultivable acres that will become available as a result of the Aswan Dam, the ratio of people to land will probably not improve in the next five years.<sup>9</sup> Given the pragmatism exhibited by the Sadat government, however, the government might eventually move away from Arab socialism to a liberalized economy. If the present experiment is successful, movement away from socialism may continue, although such a dynamic will probably be veiled.

Of course, these are uncharted waters; it is to be expected that the Sadat government will encounter

problems along the road to economic progress.

Probably the most spectacular difficulties have been bureaucratic. On July 4, 1974, President Sadat disclosed that over \$700 million worth of foreign loans and credits had not been used, probably because of administrative inefficiency.<sup>10</sup> A major reason for the difficulty was the absence of cooperation among key ministries and agencies. There have also been reports of grave errors in the reclamation program and a lack of sufficient scientific data in the area of agrarian reform.<sup>11</sup>

The Sadat government's response to these difficulties has been reasonable. According to the Egyptian President, some ministries had made agreements but had failed to inform the Planning Administration or the Foreign Ministry. To compound the problem, ministries concluding the agreements were frequently transformed or amalgamated, and the programs were often lost in the process of arranging the required financing or cooperation from other ministries.<sup>12</sup>

Sadat subsequently directed his Cabinet to prepare a decree to insure collaboration among the Ministry of Planning, other ministries, and the Economic Cooperation Commission. His new plan calls for the appointment of responsible officials to supervise dealings with the socialist bloc, the Arab and African states, West Europe and the United States. This operation is to be overseen by the Deputy Prime Minister.<sup>13</sup> At this juncture, the results seem to be encouraging.

Of course, some fundamental problems remain. The educational level of the average civil servant is far too low; as a result, excessive red tape hinders dealings with the government. On a more optimistic note, the Cabinet is now aware of the need to simplify procedures so that consumer commodities can more easily reach the market place. Given the government's recent political decisions to improve the economy, it will probably try to increase bureaucratic efficiency.

If these liberalizing trends are to continue, considerable success must be achieved on the political front. This is especially true in the foreign policy area, where a peaceful resolution of the Arab-Israeli conflict is of paramount importance.

First, however, it is important to discuss political developments. Organizationally, Egypt retains a one-party political system, and the Arab Socialist Union (ASU) continues to function as the sole political party. The Parliament is comprised of members of the ASU, who generally approve the programs proposed by the President. Democracy as we know it in the West is usually limited to intraparty debate. In fact, single-party structures incorporate so much diversity that they often become the real forums and the instruments for bargaining and debate. Hence, a democratic climate may exist within the party. In-

<sup>7</sup> "Wherever You Go In Cairo, You'll Find Eager Americans," *U.S. News and World Report*, July 29, 1974, p. 28.

<sup>8</sup> *Ibid.*

<sup>9</sup> *The Middle East and North Africa 1973-1974* (London: Europa, 1972), p. 263.

<sup>10</sup> "Egypt: Mismanagement," *Le Matin-An Nahar Arab Report*, July 22, 1974.

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*

<sup>13</sup> *Ibid.*

deed, such systems can be described as attempts to achieve tutelary democracies.<sup>14</sup>

Of course, an enlightened leadership is required—one which recognizes the need gradually to loosen the degree of authoritarianism in both the economic and political realms. It is significant that under the Sadat government there has been a gradual but deliberate movement away from the authoritarian control that was evident a few years ago. This swing away from authoritarianism has been particularly evident since the October War, and seems to have accompanied the decisions to liberalize the economy.

Some political prisoners have been released from jail; many of them were at one time high-ranking officials or otherwise influential individuals, including the former head of Egyptian intelligence, and some protest writers. Even antigovernment activities on university campuses are tolerated to a greater extent.

There is also a perceptible lessening of press censorship. In 1974, for example, a number of articles were published regarding possible scandals. Rather than punishing the writers or media managers, the government has tried to correct the alleged irregularities.<sup>15</sup> There is a more relaxed atmosphere throughout Egyptian society, and Egyptians are more willing to discuss prospects for the future, and even political issues.

## FOREIGN POLICY

However, the lessening of political controls is closely tied to the possibility of a final peace settlement with Israel. The absence of a movement toward peace, another war, would undoubtedly be major setbacks for the government's liberalization efforts. Indeed, the Egyptian leadership may find it necessary to reimpose stringent controls to mobilize the populace for further confrontations with Israel.

The hallmark of the government's foreign policy is flexibility. President Sadat made a significant effort to diversify foreign support. The best-known attempt was the expulsion of most Soviet advisers from Egypt, an action combined with an unsuccessful attempt to develop better relations with the United States and to get Washington to push for a just peace with Israel.

Following the October War, when the United States was provided with a similar opportunity, there was less hesitation in Washington. Undoubtedly, the

possibility of renewed warfare and the effects of the oil embargo had considerable influence. What Sadat could not accomplish before the war he achieved after the conflict.

In addition to changing relationships with the superpowers, there have been other alterations in Egypt's foreign policy. Probably the most important change is the de-emphasis of ideology, which has blurred the previous tensions between radical and conservative regimes. As a result, Cairo's foreign policy has become more flexible; friendly and cooperative relations are sought with many countries whether or not they are classified as radical or conservative.

Indicative of the change are the new relationships between Egypt and the conservative oil-rich states like Saudi Arabia and Kuwait. Indeed, these countries have responded very positively to Cairo's efforts at reconciliation and cooperation. Furthermore, this changing foreign policy outlook has been reflected in terms of cooperation with other wealthy Arab states with similar political persuasions. It is interesting to note that the Sadat government has not discouraged the continuation or improvement of relations with more radical regimes. Thus, the government finds itself in a moderate position between two ideological poles, and appears to be significantly gaining from its position.

President Sadat also exhibits flexibility in his perception of the meaning of Arab unity. In his view, Arab unity seems to mean close cooperation, including economic cooperation, among the Arab states.

Beyond the economic level, the Egyptian President seems to believe in the coordination of Arab foreign policy to form a common front against outsiders. In the political realm, Sadat managed to convince the wealthy oil-producing states to use the oil embargo as a political weapon. The goal of a just peace, including Israeli withdrawal from the occupied territories, was not achieved. Yet the embargo, plus considerably higher oil prices, exerted enough pressure to achieve several important results, including the pull-back of Israeli forces from the Suez Canal. Pressure also served as a reminder to the West of the dependence of their economic livelihood on Arab oil. Subsequent actions, at the United Nations and elsewhere,

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<sup>14</sup> An excellent discussion of this phenomenon as it applies to the Middle East is found in Enver Koury, *The Patterns of Mass Movements in Arab Revolutionary Progressive Regimes* (Hague: Mouton, 1970).

<sup>15</sup> Sadat has indicated that constructive press criticism will be allowed as the process of liberalizing Egyptian politics continues, and the daily articles on economic shortcomings and petty corruption are said to have acted as "a safety valve that is thought to have helped rather than harmed the government." See "Egypt's Press Wins Clash With Official," *The New York Times*, November 18, 1974.

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*"The Soviet Union will . . . be in a stronger strategic position if the Suez Canal opens; there is considerable debate as to whether a Soviet gain is necessarily a United States loss and to what degree détente will affect United States-Soviet competition in the Gulf. In light of all these factors, the chances are bright for a continued policy of watchful restraint in a highly volatile area."*

## United States Policy toward the Persian Gulf

BY DAVID E. LONG

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**B**Y FAR THE MOST IMPORTANT United States interest in the Persian Gulf is oil. Were the Gulf not the repository of two-thirds of the world's proven oil reserves, it would probably elicit little attention from the outside world, and life there would continue at a pace not too far removed from what it has been since biblical times.

Interest in oil entails concern for its price and availability. It also stimulates concern for regional political stability and security, so that the flow and price are not precipitously changed for political reasons. Despite obvious political, economic and strategic implications emanating from these interests, however, the Gulf did not come into focus as a specific area of United States policy until 1968. Prior to that time, the United States had developed close relations with Saudi Arabia and Iran, the two largest states in the area, and maintained good relations with Kuwait. Under a leasing agreement with the British, a small naval installation was stationed at Bahrain. For the maintenance of the price and flow of oil, however, the United States depended to a great degree on the major oil companies; and for the maintenance of political security in the Gulf, the United States depended mainly on Great Britain, which had special protective rights with regard to the

nine lower Gulf sheikdoms<sup>1</sup>—Bahrain, Qatar, and the seven Trucial States: Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Qaywayn, Ras al-Khaymah and Fujayrah—as well as a major security role in Oman. British troops were stationed at Sharjah and on Masirah Island, off the southern coast of Oman, and British officers directed the defense and security forces of all these states.

European influence in the Gulf was first exerted by the Portuguese who gained control of the coast of Oman, the Straits of Hormuz and Bahrain in the early sixteenth century. By the end of the century, however, Portuguese influence had begun to decline. There followed a period of rivalry between the British and the Dutch, both expanding their empires in the East. This rivalry ultimately ended with British supremacy in India and in the Gulf.<sup>2</sup>

The initial British interest in the Gulf was commercial and was channeled through the British East India Company, chartered in 1660. This company established a "resident" in Bushire (Iran) in 1763. In the late eighteenth century, the British government perceived a French threat to its eastern empire, a threat that was greatly increased by Napoleon's invasion of Egypt in 1798. In that year, the East India Company, acting for the British Crown, signed an agreement with the ruler of Oman, designed to keep the French out of the Gulf.<sup>3</sup> It was the first British treaty with a Gulf state.

The French threat receded with the French expulsion from Mauritius in 1810, but a new threat had already begun to appear in the form of Gulf Arab privateers. Encouraged by the teachings of the Wahhabi religious revival spreading from central Arabia, these privateers sailed from various Gulf ports to prey on the shipping of unbelievers, includ-

<sup>1</sup> Also spelled shaykhdoms. Sheik, sheikdom, emir and emirate are used interchangeably.

<sup>2</sup> The British role in the Gulf is well documented. See, for example, J. B. Kelley, *Britain and the Persian Gulf, 1795-1880* (London: Oxford University Press, 1962); and B. C. Busch, *Britain and the Persian Gulf, 1894-1914* (Berkeley: University of California Press, 1967).

<sup>3</sup> "East India Company's Agreement with Imam of Muscat for Excluding the French from his territories—12 October 1798" in J. C. Hurewitz, *Diplomacy in the Near and Middle East, A Documentary Record: 1535-1914*, 2 vols. (Princeton: D. Von Nostrand Company, 1956), vol. 1, pp. 64-65.

ing the British. Their activities earned for the lower Gulf the epithet, "Pirate Coast."

By 1820, the British had suppressed the privateers and had forced the Arab sheiks in Bahrain and the lower Gulf to sign a "General Treaty for Suppressing Piracy and Slave Traffic."<sup>4</sup> This treaty became the legal basis of Britain's predominant security, political and economic role in the Gulf for the next 150 years. The 1820 treaty did not bring peace, however, because there was no provision banning the Arab sheikdoms from making war on each other. In 1835, the British Resident obtained a truce in which the sheikdoms refrained from war on sea during the six-month pearling season and the British refrained from interfering with wars on land. This truce, extended every year and finally made permanent in 1853, gave rise to the term, "Trucial Coast," in place of the earlier name, Pirate Coast.

British policies in the Gulf and Indian Ocean generally reflected the growing British imperial role. In 1858, the activities of the British East India Company were taken over by the British government of India. Thenceforth, until Indian independence in 1947, British Gulf affairs were the responsibility of the Indian government. By the end of World War I, a series of interlocking treaty relationships were established that included Qatar (1869, 1913, 1916) and Kuwait (1899). With the creation of the British Mandate in Iraq in 1920, these relationships made the Gulf virtually a British preserve.

After World War II, the British position in the Gulf waned rapidly. In the early 1950's, Iran began to exert her independence from outside influences; the 1958 coup in Iraq ended Britain's security and political role there; and, in 1961, Kuwait regained her complete independence from British protection. But in the nine Gulf sheikdoms and Oman, the British military and political presence was still considered to be the major stabilizing force. January 16, 1968, British Prime Minister Harold Wilson announced to the House of Commons:

We have decided to accelerate the withdrawal of our forces from their stations in the Far East . . . by the end of 1971. We have also decided to withdraw our forces from the Persian Gulf by the same date. . . . On the Gulf, we have indicated to the Governments concerned that our basic interest in the prosperity of the area remains: and as I have said, the capability we shall be maintaining here will be available.<sup>5</sup>

After 150 years, the British were relinquishing their security role. With the independence of India and Pakistan in 1947, Britain no longer needed security in the Gulf to protect her imperial communications to the East. At the same time, a new impera-

tive for Gulf security had arisen: oil. By 1968, the Labour party, then in power, had concluded that Britain's oil interests would not be appreciably threatened by the British withdrawal. Recalling the difficulties surrounding the British withdrawal from Aden in 1967, the Labour party concluded that it was better to leave before being asked than to wait for a radical nationalist movement to develop in the sheikdoms that would seek to force the British out.

When the Conservative party came to power in Britain in June, 1970, it considered reversing the decision, or at least postponing the 1971 deadline. It soon realized, however, that with Iranian and Arab opinion firmly opposed to postponement, the psychological moment for a reversal had passed.<sup>6</sup>

### IMPLICATIONS OF THE BRITISH WITHDRAWAL

In retrospect, the British decision appears to have been wise but precipitous. Although probably taking it for granted that the British would leave some day, none of the sheikdoms at the time had seriously focused on the desirability of independence. In fact, many of them privately expressed dismay over the suddenly imminent prospect of losing the protective shield that Britain had provided since 1820. Nevertheless, the die had been cast. Thus it probably did not matter greatly what timetable the British set for their withdrawal; the period of exclusive British influence in the sheikdoms ended on January 16, 1968. Thereafter, each sheik, and other Gulf rulers also, set out to obtain the most advantageous arrangements for coming independence.

Prospects for continued stability in the Gulf after British withdrawal did not look bright in 1968. The nine sheikdoms seemed fragile in the face of the onslaught of modernity expected from vast oil wealth; and some of the smaller sheikdoms with no oil appeared virtually unviable as independent states. Several intractable territorial disputes plagued the area—Iraq's claim to Kuwait; Iran's dispute with Iraq over sovereignty in the Shatt-al-Arab; Iran's outstanding claim to Bahrain and to Abu Musa Island, also claimed by Sharjah, and the two Tunb Islands, also claimed by Ras al-Khaymah; Saudi Arabia's claim to the southern frontiers of Abu Dhabi and to the Buraymi Oasis, parts of which were claimed by Abu Dhabi and Oman; and large sections of the Gulf median line that delineated offshore rights. The threat of radical nationalist subversive groups supported from the outside and feeding on ethnic, ideological and religious tensions added to the potential for instability. The most pressing security problem lay in Oman's western province of Dhufar, where the Sultan's British-led armed forces had been countering a full-scale insurgency since 1968.

In the face of these problems, the British attempted to leave behind as viable a political system

<sup>4</sup> *Ibid.*, pp. 89-90.

<sup>5</sup> Great Britain, Parliament, *Parliamentary Debates* (London: Her Majesty's Stationery Office, January 16, 1968), vol. 756, columns 1580-1581.

<sup>6</sup> *The New York Times*, March 2, 1971.

as they could. Because Britain had never colonialized the sheikdoms but had merely provided them with a security umbrella, the sheikdoms had neither been introduced to modern political institutions nor unified into a larger, more viable entity. To remedy this, the British persuaded the sheikdoms to agree (on March 30, 1968) to federate. However, subsequent efforts to turn intention into fact, led by Sir William Luce, a distinguished British colonial official, met with only partial success. Bahrain and Qatar elected to go it alone and became independent in August 19, 1971, and September 3, 1971, respectively. The federation, the United Arab Emirates (U.A.E.), was composed of the seven Trucial States. They received independence on December 1, 1971; the federation was officially established the following day. Ras al-Khaymah, however, demurred, largely because of the British handling of the territorial dispute with Iran; she did not join the U.A.E. until February, 1972.

In preparing the area for independence with U.N. good offices, the British had helped pave the way for Iran to drop her claim to Bahrain in the spring of 1970. The British had also cooperated with Iran and the sheikdoms on the islands' issue. A complicated formula was devised whereby neither Iran nor Ras al-Khaymah (in the case of the Tunbs) nor Iran and Sharjah (in the case of Abu Musa) would relinquish their claims to the islands; Iranian troops would be stationed on them, and a Sharjah flag would fly on Abu Musa. Iran, however, fully expected to maintain hegemony over the islands, despite Arab (and particularly Ras al-Khaymah's) dissatisfaction. The formula was put into effect on November 30, 1971, the day before the British withdrawal.

In addition to their efforts to settle territorial disputes and create a lower Gulf federation, the British took other measures to insure stability. These included conversion of the British-led Trucial Oman Scouts into a federation army, renamed the Union Defense Force (UDF). A number of British officers were seconded or contracted to it and to the defense and security forces of the U.A.E., Qatar and Bahrain as well. Moreover, such a large British presence remained in the sheikdoms in business and governmental advisory capacities that the term British withdrawal was itself not strictly accurate. Thus, at independence, the states were as well prepared as possible to undertake their new responsibilities.

## THE EVOLUTION OF U.S. POLICY

The initial United States reaction to the British de-

cision to disengage from the Persian Gulf was concern for the stability and security of the area. At the same time, United States government leaders seriously doubted that the American public, still sharply divided over the war effort in Vietnam, would support an active security assistance policy in the Gulf. The day after the British announcement, Senate Majority Leader Mike Mansfield (D., Mont.) declared:

I am sorry the British felt they were forced to take this step because I am certain we will be asked to fill the vacuum east of Suez. I don't know how we are going to do it because I don't think we have the men or resources for it.<sup>7</sup>

To reconcile these two somewhat contradictory considerations, a policy of indirect security assistance was developed, which relied heavily on the regional states, particularly Iran and Saudi Arabia, and on coordination with the British, who would continue to play an important internal security role. The United States emphasis on security was reflected in a statement of five "principles" of United States Persian Gulf policy by Joseph Sisco, the then Assistant Secretary of State for Near Eastern and South Asian Affairs, in September, 1972:

- Noninterference in the internal affairs of other nations;
- Encouragement of regional cooperation for peace and progress;
- Support for friendly countries in their efforts to provide for their own security and development;
- Encouragement for the principles enunciated at the Moscow Summit of avoiding confrontations in such areas of the world;
- Encouragement for the international exchange of goods, services and technology.<sup>8</sup>

The fourth principle addressed the Soviet threat and was probably more an expression of hope than a principle; the growing superpower détente was based on mutual interests that did not necessarily include the Gulf. Despite détente, in recent years the Soviets had built up their naval forces in the Indian Ocean, exceeding United States naval capabilities there. On the other hand, while Soviet naval power constituted a potential military threat to United States interests, the primary Soviet threat to American interests in the Gulf and Indian Ocean region was seen more in political than in military terms, and included potential Soviet support for local subversive groups. But the Soviets were constrained from too active a policy of support for subversive groups in the Gulf because they did not want to push Iran into an even closer defense relationship with the United States. Weaning Iran away from the West has long been a major Soviet goal in the area.

Only one principle, the last, addressed oil and economic issues, reflecting United States preoccupation with security and its relative complacency with

<sup>7</sup> *Washington Evening Star*, January 17, 1968.

<sup>8</sup> United States, Department of State, *Bulletin* (Washington, D.C.: U.S. Government Printing Office) vol. 67, no. 1732 (September 4, 1972), p. 242.

the Gulf oil situation. Sisco conceded that: "we are witnessing rather dramatic changes in the terms of financial and concession arrangements between international oil companies and the producer states." But he went on to assert that:

States such as Iran, Saudi Arabia and Kuwait, however, have consistently indicated by their approach to petroleum questions, their recognition of a strong mutual economic interest with the major industrial nations . . . [and] the useful role which the international oil companies play.<sup>9</sup>

## IMPLEMENTATION

Between 1971 and 1973, several operational decisions were made to implement the new policy. The United States arranged to lease from the Bahrain government the small naval installation it had formerly leased from the British that served as headquarters for the Commander, Middle East Forces (MIDEASTFOR).<sup>10</sup> MIDEASTFOR was to continue to serve a primarily political and psychological mission, e.g., showing the flag. Diplomatic missions were to be established in Bahrain, Qatar, the U.A.E. and Oman, with both political and export promotion responsibilities. The ambassador to Kuwait was to serve as non-resident ambassador to each. Finally, technical and military assistance requests were to be reviewed sympathetically, provided that there would be a minimum direct United States military presence except in Iran and Saudi Arabia, where military advisory missions had long been established. Underlying the new Gulf policy was a major effort to promote Saudi-Iranian cooperation for maintaining regional security.

In the three years of independence, the sheikhdoms appear to have established themselves as viable independent entities. Internal subversion has been held in check. Even in Dhufar, the British-led Omani armed forces finally appear to be gaining the upper hand over the rebels, with the help of Iranian combat troops and a Jordanian support and training effort.<sup>11</sup> Although the Soviets signed a friendship treaty with Iraq in 1972 and have conducted a military resupply effort through Aden to the Dhufar rebels, earlier predictions that they would fill the so-called "power vacuum" have remained unrealized. Territorial disputes have also been adequately managed, if not re-

solved. In the spring of 1973, Iraq, which has never dropped her claim to Kuwait, made menacing moves toward the Kuwaiti islands of Warbah and Bubayan, which command the channels to the Iraqi naval base at Umm Qasr. After several weeks of tension, however, the issue subsided, at least for the present.

Another thorny issue, the territorial dispute between Saudi Arabia and Abu Dhabi over their frontiers and over Buraymi Oasis, was finally settled on July 29, 1974, with Saudi Arabia dropping its claim to Buraymi and gaining a corridor to the sea for her oil field south of Abu Dhabi.<sup>12</sup>

The record of stability in the Gulf would suggest that at least the security aspects of United States policy in the Gulf were successful, but this is true only in a passive sense. The United States role in resolving territorial disputes and in the Dhufar counter-insurgency effort has been minimal. As for Saudi-Iranian cooperation, King Faisal and the Shah realized the need to work together more closely against the threat of radicalism in the Gulf before the United States began to focus on regional cooperation. In October, 1968, Iran and Saudi Arabia finally agreed on a Gulf median line, which had previously been a sometimes heated issue. This cleared the way for the Shah to pay a state visit to Saudi Arabia, where the groundwork was laid for future cooperation.<sup>13</sup>

Several factors, however, inhibit the degree to which the two countries can cooperate. There is a clash of Iranian and Arab nationalism in the Gulf, exemplified by the sometimes heated disagreement over the name of the Gulf, Persian or Arabian. This clash has religious overtones: Iranians are Shi'ah Muslims and Saudis are strict Sunni Muslims. In addition, the Saudis have not taken kindly to Iran's benign attitude toward Israel. Moreover, while the Shah sees Iran as the predominant power in the Gulf,<sup>14</sup> King Faisal would never accept the role of junior partner in regional cooperation. Thus, the United States can only make a limited effort to promote regional cooperation.

Finally, the United States response to arms requests had little impact on security. Arms sales to Saudi Arabia, Iran, and, to a lesser extent, Kuwait, while increased, are in line with policies adopted before United States Gulf policy was developed. Elsewhere in the Gulf, sales have been very small or non-existent. At any rate, the primary security threat remains political subversion, rather than a conventional military threat, against which United States arms would be decisive. A possible exception is the military conflict between Iraq and Iran in the past year.

In sum, the security-related aspects of United

<sup>9</sup> *Ibid.*, p. 244.

<sup>10</sup> MIDEASTFOR was first stationed in the Gulf over 25 years ago. It consists of only three ships. The flagship is a converted amphibious transport, the *La Salle*. Two other ships, assigned on a rotational basis from the Atlantic Fleet, are on station for about six months, operating mainly in the Indian Ocean.

<sup>11</sup> *Washington Post*, October 14, 1974.

<sup>12</sup> *Christian Science Monitor*, August 26, 1974.

<sup>13</sup> See Rouhollah K. Ramazani, *The Persian Gulf: Iran's Role* (Charlottesville: University of Virginia Press, 1972), pp. 49-50.

<sup>14</sup> *Ibid.*, pp. 93-94.

States policy in the Persian Gulf have been successful not so much because of what the United States did as because of the restraint which was shown in not developing an activist policy, when a relatively passive policy was more appropriate.

### THE AFTERMATH OF THE OCTOBER WAR

The October, 1973, Arab-Israeli war had a profound effect on the Gulf. The sheikdoms, long isolated from the rest of the Arab world during the years of British protection, found themselves drawn headlong into the Arab-Israeli conflict. When King Faisal announced the oil embargo in reaction to the massive United States military resupply of Israel, other Gulf Arab oil producers generally supported him. Bahrain, however, terminated MIDEASTFOR's lease, to be effective in one year. This decision was reversed in the summer of 1974, but Bahrain is still of two minds about MIDEASTFOR. She appreciates the presence of a powerful friend but feels vulnerable to political attack for allowing a foreign military presence, although the installation in no way constitutes a base.

The war also brought to the world's attention the shift from a buyer's to a seller's market in oil. The posted price doubled in October and doubled again in December. Although the embargo was lifted in March, 1974, the United States and other industrial nations saw the threat to vital oil supplies. The precipitous price rises also confronted them with staggering increases in their import bills, and with the formation of huge foreign exchange holdings by the oil-producing nations. Both or either of these developments could threaten world economic stability. Thus, the focus of United States policy toward the Gulf shifted dramatically from security to oil and related economic problems.

United States energy policy is, of course, much broader than Gulf policy. The goal of United States policy on energy is to assure adequate supplies for steady growth at prices that will contribute to economic stability in an interdependent world.<sup>15</sup>

In pursuit of this goal, the United States is seeking international cooperation among the principal oil consumers and between them and the producers; it

also seeks bilateral cooperation among the key producers. In the context of cooperation, the United States is calling for the Gulf as well as other oil-producing states to adopt energy policies, in President Gerald Ford's words, "to meet the growing need—and to do this without imposing unacceptable burdens on the international monetary and trade systems."<sup>16</sup> On the bilateral front, the United States and Saudi Arabia signed an agreement on June 8, 1974, to expand cooperation in the fields of economics, technology, industry and defense.<sup>17</sup> It was not a "bilateral oil agreement," which would have been incompatible with international cooperation, but it was motivated on the United States side by the increased recognition of the need to cooperate with oil producers. The United States also upgraded its embassies in the lower Gulf, sending resident ambassadors to Bahrain, Qatar, the U.A.E. and Oman in the summer of 1974.

### A LOOK TO THE FUTURE

The events of 1973 destroyed the oil supply-demand equilibrium that had evolved since World War II. Until a new balance is attained, United States policy toward the Gulf states will probably continue to focus on oil. With the end of the international oil companies' major role in pricing, the United States government and other major consumers will probably be forced to play a greater role in price negotiations with the producing nations.

By 1980, it is estimated that the Arab producers in the Gulf will have accumulated \$200 billion in reserves. Studies are already under way on how these sums can be invested in the best interests of the producers and the world economy.<sup>18</sup> One way is through United States export promotion. The paradox will have to be faced, however, that military arms are the most sought after and expensive items for sale. In the absence of enough other export opportunities to balance trade with the Gulf oil producers, can the West afford not to create an arms race?

Although they are of secondary importance to oil, security problems in the Gulf will still be a major interest. In this context, an arms race could be a

*(Continued on page 85)*

<sup>15</sup> See the text of President Ford's address before the 29th Session of the U.N. General Assembly, September 18, 1974, Department of State, *News Release*, September 18, 1974.

<sup>16</sup> *Ibid.*

<sup>17</sup> For the text of the agreement, see "Joint Statement on Saudi Arabian-U.S. Cooperation," Washington, D.C., June 8, 1974, Department of State, *News Release*, June 10, 1974. See also the *Economist* (London), June 15, 1974, pp. 107.

<sup>18</sup> See the statement on United States commercial interests and policy in the Persian Gulf area by then Deputy Assistant Secretary for Near Eastern and South Asian affairs, United States, Department of State, *Bulletin*, (Washington, D.C.: U.S. Government Printing Office), vol. 69, no. 1799 (December, 1973), p. 726.

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*"Despite King Faisal's assertions that he does not wish to create an aggressive political power bloc to advance the interests of the Muslim countries, an Islamic call to solidarity will lead to such a bloc. Although the various Muslim countries have diverse social and political structures, their adherence to Islam gives them a common bond."*

## Saudi Arabia: A Brief History

BY RAMON KNAUERHASE\*

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RECORDED WESTERN history began in the Middle East. Long before the Greek city-states were established, there were societies in the Fertile Crescent of the Middle East whose economic development had progressed to such a level that they were producing small economic surpluses over and above their populations' immediate needs. These surpluses supported a group of individuals whose contributions to society were products of the intellect rather than of the land. The alphabet was invented; legal systems were developed; and the state became strong enough to support and protect long-distance trade. As markets became larger, external economies of scale produced accelerating economic development.

The Old Babylonian Empire covered the area between the Tigris and Euphrates Rivers and some territory on the eastern and western banks of these rivers. Two hundred and fifty years later, the Hittites and Kassites had conquered the Old Babylonian Empire and by the seventh century B.C. the Assyrian Empire ruled from Libya to the Indus River.

During this nearly 2,000-year period of history, the people of the Arabian Peninsula remained isolated. This isolation ended about the middle of the seventh century. Inspired by a new, militant faith, the tribes of Arabia united and established an empire which, at its apogee, extended from the Pyrenees in the west to the Indus River in the east. By the beginning of the second millennium, control over the Muslim Empire had passed from Mecca and Medina to Bagdad and subsequently into the hands of the Ottoman Sultans.

Save for the Hejaz around Mecca and Medina, which continued to be the religious focus of Islam, the rest of Arabia lost its importance.

It is important to understand the significance that the Arabs of the Arabian desert attach to the 200-year period of the Arab Empire. The Islamic faith does not distinguish between secular and religious matters; even those individuals who do not have a formal education learn about past glories through the informal study of the Koran. The Arabs of the Arabian Peninsula are proud of the civilizing contributions of their ancestors in law, science, mathematics, literature and philosophy, and many modern descendants of the first four caliphs believe that they can recapture some of this lost glory. They are aware that this cannot be done by reestablishing the Arab Empire, but they are convinced that they can affect political events and contribute to the reform of Islam. "The internal history of Arabia since the 18th Century can best be understood in terms of the efforts of this community [Wahhabi] to spread its doctrine. Modern Saudi Arabia is the political expression of this continuing effort."<sup>1</sup>

The Saudis' firm belief in their mission is reflected in the preamble of the ten-point program for the betterment of the country issued by Crown Prince Faisal in his capacity as Prime Minister on November 6, 1962. After a brief reference to past achievements the proclamation states:

His Majesty's Government will redouble its efforts in developing and consolidating the structure of this youthful state, and in leading its citizens to the place they deserve as a nation which, from the dawn of Arab history, was the centre of true Arabism and the origin of spreading of the eternal Islamic civilization.<sup>2</sup>

The history of Saudi Arabia can be divided into four periods: from about 1745 to 1818, from 1819 to 1902, from 1903 to 1953, and from 1953 to the present. The first period began when Mohammad

\* This article is taken from Chapter 3 of the forthcoming book: *The Saudi Arabian Economy* (New York: Praeger) scheduled for publication in the fall of 1975.

<sup>1</sup> George A. Lipsky, *Saudi Arabia* (New Haven: HRAF Press, 1959), p. 43.

<sup>2</sup> As reprinted in Gerald DeGaury, *Faisal: King of Saudi Arabia* (London: Arthur Barker, Ltd., 1966), p. 147.

ibn Saud, the Amir of the central Nejdi town of Diriyah, offered protection to the religious reformer Mohammad Abd al-Wahab and accepted his religious reforms. In an effort to spread the unitarian doctrines of Abd al-Wahab, the ruler of Diriyah subdued the Arabian tribes. At its height, about 1810:

the doctrines of Wahhabism held sway in some form or the other from the gates of Damascus and Baghdad to Yemen and the Hadramout, and from the Persian Gulf to the Red Sea.<sup>3</sup>

In 1801, the "Wahhabis" captured Karbala, the Holy City of the Shiites, killing many inhabitants and destroying the domes erected over many tombs, and in 1806, Wahhabi forces seized Mecca and Medina and evicted the Ottoman Turks and their representatives.

The destruction of Karbala and the occupation of Mecca and Medina goaded the Ottoman forces into action. Sultan Mahmud II ordered Mohammad Ali, his Egyptian viceroy, to recapture the holy cities and to break the Wahhabis' power. After a seven-year campaign directed by Mohammed Ali's son, Ibrahim Pasha, the Egyptian army drove the Wahhabi zealots out of Mecca and Medina. They seized and destroyed the Saudi capital, Diriyah, capturing Abd Allah ibn Saud, the fourth ruler of the Saudi line since Mohammad ibn Saud.

#### THE STRUGGLE FOR SUPREMACY IN THE NEJD

The second period of Saudi Arabia's history begins with the capture and execution of Abd Allah ibn Saud and ends with the exile of the House of Saud to Kuwait and the coastal towns along the Arabian Gulf. Following the destruction of Diriyah the Egyptians maintained themselves in the Nejd on and off for 20 brutal years. The long struggle for freedom from Egyptian rule began in 1823, when Turki ibn Abd Allah ibn Muhammad ibn Saud attempted to capture Riyadh. He failed in his first attempt, but succeeded the following year and liberated the central part of the Nejd from its Egyptian conquerors. To avoid the rebuilding of Diriyah, Turki established himself in Riyadh, making it the new capital of the House of Saud.

Following the assassination of Turki on May 19, 1834, the new Imam, Faisal ibn Turki, lost control of the central and eastern parts of Arabia to the Egyptian forces of Mohammad Ali. Faisal reestablished himself in 1845, and maintained the Saudi family's authority over the various factions of the Wahhabi state until his death in 1865. From Faisal's death to the beginning of the twentieth century, the nation's history is a confused and confusing story of various factions fighting each other for control. In

1891, the Saudi family again lost control of the Wahhabi state, because fraternal quarrels between Faisal ibn Turki's sons had weakened the family's power. The quarrel resolved itself eventually in favor of Saud ibn Faisal, who died in 1875 without having united the various factions contending for authority over the state.

While the Saudis quarreled among themselves, the House of Rashid had consolidated its hold over the north-central part of the Nejd, centering on the town of Hail.

Feuding did not end with Saud's death. Faisal's fourth son, Abd al-Rahman, who was in Riyadh at the time of his father's death, claimed power. His action was disputed by Abd Allah, with the support of his brother, Mohammad, Faisal's third son. Saud's sons also claimed the right to rule. The three brothers, Abd Allah, Mohammad and Abd al-Rahman, patched up their disagreements and forced their nephews out of Riyadh. An uneasy peace settled over the area, and Abd Allah ibn Faisal was installed as Imam for the third time. In 1884, Imam Faisal attempted to curtail the rising Rashidi power. He was defeated in the battle of Hamadah, and soon thereafter Muhammad ibn Rashid established himself as ruler of the central Nejd, exiling Abd Allah to Hail, the Rashidi capital.

After Abd Allah's death, Abd al-Rahman challenged the Rashidi overlords. He lost and was forced to flee to Kuwait. The House of Saud was defeated, and it seemed that they had been permanently eliminated in the struggle for control of the Nejd. But Rashidi control of the Nejd lasted only a decade before it was again challenged by the Saud family.

#### THE REIGN OF ABD AL-AZIZ

In 1901, Abd al-Aziz ibn Abd ar-Rahman Al Faisal Al Saud set out from Kuwait, where the Saud family had been granted asylum, to regain his patrimony. He captured Riyadh on January 1, 1902, and inaugurated the third phase of Saudi Arabia's history.

The capture of Riyadh did not assure Abd al-Aziz his patrimony. The Nejd was still in ibn Rashid's hands. To recapture the Nejd, he had to gain the support of the Bedouin tribes of the southern Nejd. Having nothing to offer in material inducements, Abd al-Aziz attracted them by his personal reputation as a warrior and the implied booty which success in battle promised. His strongest asset was:

his own conviction that God was on his side, and that the Moslem world still needed to be purified by Wahhabism. . . . [I]bn Saud drew men to follow him in battle by his faith, and infected them with fervent intolerant zeal.<sup>4</sup>

Ibn Rashid, Abd al-Aziz's opponent, was a talented commander, well versed in desert warfare. His mis-

<sup>3</sup> R. Bayly Winder, *Saudi Arabia in the Nineteenth Century* (New York: St. Martin's Press, 1965), p. 6.

<sup>4</sup> David Horwarth, *The Desert King* (London: Collins, 1964), p. 32.

take was that he underestimated his young adversary's ability and daring. Between 1902 and 1906, ibn Rashid and Abd al-Aziz engaged in a number of battles, which ended inconclusively, as most desert battles did. Nevertheless, Abd al-Aziz was able to exploit the population's resentment of the harsh Rashidi rule, and extend his control across the Saud family's original domain.

The strongest challenge to Abd al-Aziz came in mid-1904 when ibn Rashid negotiated an alliance with the Turks. Seeing a chance to reestablish Turkish dominance over Arabia, the sultan sent eight battalions of troops in support of ibn Rashid. For the first time, Abd al-Aziz faced a modern armed force equipped with artillery. On June 15, 1904, the two armies met in a day-long battle. Abd al-Aziz's warriors managed to route the Bedouin forces but could not defeat the Turks.

But Abd al-Aziz had only to wait for the summer's heat to accomplish the task for him. The Turkish troops suffered horribly in the heat, which often climbs above 130° Fahrenheit. Unprepared for survival in the desert, many Turkish soldiers died, and when the desert warriors faced them again, they breached the Turkish ranks. Unable to use their cannons, the Turks broke and ran. Abd al-Aziz's forces carried the day. Yet this victory was not conclusive, because the House of Rashid still threatened Abd al-Aziz's control over the Nejd. The final contest came in April, 1906, when the Saudi forces surprised Rashid's army during a raid 20 miles north of Buraida. In a short, bloody skirmish, ibn Rashid was defeated and killed. Abd al-Aziz had reestablished his power over the family's domain.

Abd al-Aziz's greatest problem during this period was to gain the loyalties of the various tribes in the central Nejd. The Bedouin were fickle. Their first loyalty was to their tribe, and their leader's actions were geared to promote the tribe's well-being. In a contest, they changed sides when they saw themselves on the losing side. Often boredom made them leave their allies to return home. They liked action and enjoyed a successful raid that gave them a chance to loot. It was one of Abd al-Aziz's greatest achievements that he united all factions in support of his cause and managed to keep their loyalty after the fighting had stopped and the kingdom of Saudi Arabia had been established.

The defeat and death of ibn Rashid did not put an end to Abd al-Aziz's problems. Between 1906 and 1912, tribal quarrels and other challenges kept him in the field. In the north, the House of Rashid still controlled the country. In the east, in al-Hasa, the Turks had maintained themselves, and in the Hejaz,

the Turks had installed Hussain ibn Ali, whose presence kept the Saudi prince's ambitions in check. In the south, his cousins, the Araif, were unwilling to accept his rule and fomented upheaval. Slowly, Abd al-Aziz gained the upper hand. In April, 1913, he captured Hofuf and thus eliminated Turkish influence in the al-Hasa region.

Abd al-Aziz succeeded in uniting the various tribal groups by settling the Bedouin on the land in the ikhwan (brethren) settlements.

Some authorities see these settlements as the greatest of his achievements; for the battles and diplomatic intrigues were mainly the means of building a kingdom; the settlements were a means of giving it permanence. The first stage had often been achieved in Arabian history, but the second never.<sup>5</sup>

In the ikhwan settlements, tribal loyalties were supplemented by a broader loyalty, loyalty to Islam. In addition to settling on the land and pursuing agricultural activities, the ikhwan were to study the Koran under the guidance of mutawa (preachers) sent to them by the ulema. After initial difficulties, the ikhwan settlements succeeded. Within 10 years, in more than 200 settlements, men owed allegiance only to God and their king.

[T]he settlements gave the ulema new fields for the harshest extremes of their Wahhabi faith, and gave ibn Saud, in the end, a military strength which no other ruler in Arabia could resist, except those who had British support.<sup>6</sup>

Furthermore, they created a new segment of society, who had given up the ways of the desert; it was this group of people around whom a stable society could be built.

After the conquest of al-Hasa, Abd al-Aziz negotiated a settlement with the Turks. While conceding the eastern region, the Turks concluded an agreement with Saud ibn Rashid, the new head of the House of Rashid in Hail, offering to supply rifles to the Rashids for a renewed attack on the Nejd. To counter the Turkish initiative, Abd al-Aziz entered into negotiations with the British that culminated in the Anglo-Saudi treaty of 1915.

## WORLD WAR I

Arabia did not play an important role in the events of World War I. To weaken the Turks, the British induced Abd al-Aziz to attack the Rashids. In January, 1915, Saudi and Rashidi forces met at Jirab in the Quasim area, in a fierce battle during which the British representative to Abd al-Aziz was killed. Both sides claimed victory, but as usual in desert warfare, the battle settled nothing. The House of Saud was still threatened by the Rashids. A second attack on Hail, launched in 1918, also failed.

While the British dealt with Abd al-Aziz in inner Arabia, they also negotiated with the Grand Sharif of

<sup>5</sup> *Ibid.*, p. 69.

<sup>6</sup> *Ibid.*, p. 71.

Mecca and ruler of the Hejaz, Hussain ibn Ali, a member of the Hashemite family. Hussain, who had been born in Mecca but spent nearly all his life at the Sultan's court, was appointed Sharif of Mecca by the Turks in an attempt to consolidate Ottoman rule in the Hejaz. The British saw a chance to weaken the Turkish enemy further by inducing Hussain to secede from the Ottoman Empire. In July, 1916, Hussain proclaimed his independence from Constantinople, claiming the title of King of the Arabs. The British, however, recognized him only as King of Hejaz.

At the end of World War I, the British had to choose between their two Arabian allies. They opted for support of Hussain in the belief that his better trained and equipped army was superior to Abd al-Aziz's warrior force. Encouraged by their support, Hussain launched an attack in May, 1919, on the oasis of al-Khurma on the western fringes of Abd al-Aziz's domain. The invading force was met by Saudi ikhwan warriors of the al Khurma area. The ikhwan struck in the middle of the night, killing almost all the invading force. It has been estimated that only about 100 of the 4,000 man force escaped the massacre. When Abd al-Aziz arrived at the scene, the way to Mecca and the Hejaz lay open before him, but he did not grasp the opportunity. Instead, he turned to the conquest of his northern enemy, the Rashids, and in 1921 conquered Jabal Shammar and its capital, Hail. This put an end to the Rashidi threat.

With the northern frontier secured, the limits of the Saudi state between Iraq and Kuwait required definition. The problem was settled late in 1922 by the creation of two neutral zones, one between Saudi territory and Iraq, and the other between Saudi territory and Kuwait.

After the delineation of the borders with Iraq and Kuwait on the one side, and Abd al-Aziz's territory on the other side, only one unsettled problem remained: the Hejaz. The ikhwan tried to persuade Abd al-Aziz to annex the Holy Cities, Mecca and Medina, and to purge them of the many unholy practices condoned by Hussain. Abd al-Aziz held his troops in check, but when Hussain declared himself caliph, following the abolition of the caliphate by the Turkish Republic, the Saudis decided to act. The mountain city of Taif was captured in September, 1924, and Mecca fell in October of that same year. As soon as the ikhwan had established themselves in the Holy City, they proceeded to demolish the decorative domes over graves and other signs of deviation from fundamental Koranic guidelines.

The port city of Jidda was besieged. The Saudis did not attempt to attack the city, being content with an occasional artillery bombardment. In keeping with ancient practice, Abd al-Aziz lifted the siege for the duration of the pilgrimage season. In December,

1925, Medina surrendered, with the stipulation that the dreaded ikhwan would not enter the city. Two weeks later, Jidda fell, and Hussain's eldest son, Ali, who had succeeded his father, left for Iraq. Saudi sovereignty had been established from al-Hasa in the east to the Hejaz in the west and from the rub-al Khali in the south to the Nafud in the north.

Following his victory in the Hejaz, Abd al-Aziz set up a system of control over the Bedouin. His approach was direct and simple. In case of lawlessness, the chief of each tribe was responsible for the punishment of the malefactors. If the chief failed to punish the offenders, the chief of the neighboring tribe was responsible for taking action; if that failed, Abd al-Aziz was ready to move in with his army. This system of law enforcement was effective, and for the first time in the history of the Arabian Peninsula intertribal warfare and general lawlessness were controlled. Peace had finally come to Arabia.

Throughout this period, Abd al-Aziz was in constant financial difficulties. There were times when his treasury consisted of the silver coins he carried in his saddle bags. With the capture of the Hejaz, there was some financial relief, because taxation of the pilgrims yielded additional revenues. Nevertheless, when Major Frank Holmes, a free-lance prospector, approached him regarding a license for oil exploration, Abd al-Aziz granted him the exploration rights for an area of over 30,000 square miles in al-Hasa. The search for oil was unsuccessful. But it was only a matter of time until oil would be found in the desert.

After his victory over the Rashidi, Abd al-Aziz was proclaimed Sultan of the Nejd and its Dependencies. On January 8, 1926, the citizens of Mecca swore allegiance to him and proclaimed him King of the Hejaz. About a year later, the people of the Nejd proclaimed him King of the Nejd, and Abd al-Aziz became King of Hejaz and Nejd and Its Dependencies. In 1927, Great Britain recognized Abd al-Aziz's domain as an independent, sovereign state, and on September 22, 1932, the country was renamed the Kingdom of Saudi Arabia.

Before Abd al-Aziz could consolidate his success and forge the diverse regions and tribes into a coherent nation-state, he had to solve one final problem: what to do about the ikhwan. The ikhwan had been the mainstay of his army. Inspired by their religious fanaticism, they had fought in the name of God and Abd al-Aziz. Spurred on by sectarian zeal, they had contributed greatly to his victories. However, their narrow-minded dedication to Wahhabism led to bloody excesses. Believing that their opponents had deviated from the path of the correct faith, and that non-Wahhabi Muslims were in the same class as unbelievers, they murdered and plundered ruthlessly whenever they conquered the opposition. The mas-

sacre of over three hundred inhabitants after the victory of Taif is only one example of ikhwan ruthlessness.

Following his victories in the Hejaz, Abd al-Aziz no longer needed their services and sent them back to their tribes. Unfortunately, however, he had created an organism beyond his control. When the ikhwan returned home, they found life dull. Agricultural activities, which had never appealed to them, could not absorb their energy. The knowledge of the existence of numerous Muslim communities not yet cleansed by submission to the Wahhabi discipline continued to stimulate their fanaticism. Frustrated in their religious zeal and bored by their humdrum existence as farmers, they disobeyed Abd al-Aziz and raided across the border in Iraq and Kuwait. But they changed the nature of desert raiding. Instead of raiding a community and driving off the herds of camels and goats, leaving the population unharmed, they entered Iraq and killed all men and boys, driving off the herds and leaving the women and children helpless in the desert.

The Iraqi and Kuwait governments protested to Abd al-Aziz in vain. He would not, or could not, restrain his erstwhile supporters. Forced to act, the invaded nations organized a defense. On the Iraqi side, John Glubb, later known as Glubb Rasha, organized a defense based on aircraft and truck-mounted cannons. Slowly, the defenders gained the upper hand, and the raiding tribes of ikhwan turned from raids across the borders to raids of neighboring tribes within the kingdom. This was a mistake, because it gave Abd al-Aziz an excuse to oppose them. He left the Hejaz and moved his army into the Eastern Province. On March 29, 1929, the two armies met in the Battle of Sibilla, the last battle in the traditional, time-honored desert fashion. The rebels lost. Although some of the rebellious ikhwan held out for another 12 months, Abd al-Aziz had led his last charge. He subsequently turned to the establishment of an administrative system for the nation he had created.

No sooner had the ikhwan problem been settled in 1930 than another problem arose: the King had run out of cash. Since the conquest of the Hejaz, his main source of income had been the pilgrims. Although revenue was inadequate, given the nation's needs, it did provide relief. But the pilgrimage depends on the prosperity of the Muslim world. When the Great Depression of the early 1930's spread from Europe and America, it reduced the number of pilgrims, and Abd al-Aziz faced a crisis.

The King cared little about fiscal matters and assigned them to his treasurer, al-Sulaiman. The fiscal

system was based on the assumption that the national revenues were the King's private income; the remainder was allocated for general administrative purposes only after his and his family's needs had been met. Of course, this is not the way to run the government of a nation extending across more than one million square miles. By 1931, the kingdom could not repay its foreign debt; much more important, the minor civil servants were not being paid. As their pay fell more and more in arrears, they returned to their old habits of swindling King and public alike. This created a tradition of corruption and fiscal irresponsibility that even today is a feature of government in Saudi Arabia.

The pilgrimage of 1931 made it clear that the Hadj was an unreliable source of revenue. Abd al-Aziz finally had to face his fiscal crisis, and the idea of attracting oil prospectors was revived. According to H. S. StJ. B. Philby, an Englishman who had converted to the Muslim faith and had attached himself to the King as a sometime adviser, the events leading to the King's decision to look for oil concessionaires began as follows:

One day I was in the royal car with him, on one of his afternoon excursions, when he let himself go on the subject of his country's prospects. If the pilgrimage was to fail like this in the coming years, the country would be faced by ruin, for it had no other assets of any value. I tried to rally him: "Really," I said, "there is no ground for despair, provided you are prepared to help yourself, instead of waiting for God to save you. 'For verily God doth not change the state of a people unless they change their state themselves' (this was a favorite Quranic quotation of his). You are like a man sleeping over a buried treasure and complaining of poverty, while unwilling to do anything about it." "What do you mean?" he asked sharply. "I mean," I replied, "that your country is full of buried riches—oil and gold for instance—which you cannot exploit yourselves and won't allow anyone else to exploit for you." "I tell you, Philby," he answered rather wearily, "that if anyone would offer me a million pounds now he would be welcome to all the concessions he wants in my country." "They are worth a great deal more than that," I said, "and if you really mean what you have just said, I know a man who can help you."<sup>7</sup>

The conversation led to a meeting between the King and Charles Crane, an American with a deep interest in Arabia, in May, 1931, who in turn made K. S. Twitchell, one of his engineers, available to the government. Following some maneuvering among the international oil companies, the Original Concession Agreement between the Saudi Arabian government and Standard Oil of California was signed in May, 1933. As far as Abd al-Aziz was concerned, the importance of this agreement rested in the fact that his immediate financial difficulties were reduced; there was also the hope of large future revenue from oil production—God willing.

In March, 1938, test drillings in the Dhamam area

<sup>7</sup> H. S. StJ. B. Philby, *Arabian Days* (London: Robert Hale, Ltd., 1948), pp. 290–291.

of al-Hasa confirmed the fact that oil was present in commercial quantities. A year later, the first oil shipment left Ras Tanura. The King's financial problems were apparently solved. But four months later World War II broke out, and progress in the oil fields came to an almost complete halt.

By 1940 oil operations had stopped, and the number of persons arriving for the Hadj had fallen to a mere trickle. The winter of 1939/40 was very dry, and agriculture and animal husbandry suffered severely. Saudi Arabia faced bankruptcy, and the King turned to the British and the oil company for aid. Despite their own desperate need during the early war years, the British managed to supply Saudi Arabia with some food and cash loans. The country needed more funds; thus Abd al-Aziz turned to the oil company with a request for \$30 million spread over a five-year period. Unable and unwilling to meet his demands, the parent companies persuaded the United States government to include Saudi Arabia in the Lend-Lease Program. After two years of negotiation, President Franklin D. Roosevelt ordered the extension of Lend-Lease aid to the kingdom.

During World War II, Saudi Arabia remained neutral, but the King's sympathies were on the Allied side. World War II marks an important turning point in Saudi Arabia's history. Before the war, the King's efforts were concentrated on the nation's internal problems, and the kingdom's participation in world affairs was practically nonexistent. After the war, Saudi Arabia's voice began to be heard in Middle Eastern and Islamic affairs.

Abd al-Aziz died on November 13, 1953. He was succeeded by his oldest son, Saud ibn Abd al-Aziz al Saud; and Faisal ibn Abd al-Aziz, his second son, was named Crown Prince. Although Abd al-Aziz was not widely known in the Western world, he was one of the most important rulers of the Middle East. He unified the Arabian tribes and stopped their inter-tribal warfare. He created the Saudi state, a necessary step in the economic development of the Arabian Peninsula. Abd al-Aziz has often been maligned by Western writers as a barbarian, spendthrift ruler of a third-rate nation. On the contrary, Abd al-Aziz was the last of the medieval rulers. He had great personal courage, and knew how to deal with the Bedouin. He was honest and straightforward. Judged by the standards of early twentieth century Arabian society, he was an outstanding individual. His failure to use the immense riches that the exploitation of oil eventually made available to him grew out of the fact that the Bedouin society was not prepared to deal with this new wealth. Socially and economically, Saudi Arabia was not prepared to absorb hundreds of millions of riyals efficiently.

The history of the country since Abd al-Aziz's

death is characterized by several trends. On the international level, there is the struggle with Egypt, the Palestinian question, the settlement of a number of border disputes and the Saudi drive to become the leader of the Muslim world. To this list must be added Saudi Arabia's leading role in the formation of the Organization of Petroleum Exporting Countries (OPEC). Domestically, the nation's main concern was the establishment of a coherent economic policy designed to stimulate economic development and the continued integration of the various factions of the population.

The reign of Saud lasted 11 years, which saw the transition from Bedouin society to a settled, modern nation. Saud was unprepared to rule the country. In 1958, Crown Prince Faisal was appointed Prime Minister and the government of the nation became his responsibility. On November 5, 1964, Saud was forced to abdicate, and Faisal Ibn Abdul-Aziz Ibn Abdul-Rahman Al Faisal was invested as King and Imam of Saudi Arabia.

Contrary to experience in other Arab states, in Saudi Arabia the change of rulers proceeded in an orderly, peaceful fashion. Faisal's appointment as Prime Minister was forced upon Saud by the family after consultation with the ulema. The original plan had been to depose Saud and place Faisal on the throne. Faisal refused the offer of investiture, and accepted the appointment as Prime Minister instead. Although he was well known in the Hejaz, he was less well known in the eastern part of the nation. To overcome this handicap, it was suggested that he make a series of radio and television addresses. He carried this suggestion several steps further by giving a series of speeches in various parts of the country, a novel approach that gained him recognition and support among the populace.

Faisal is a strong and able administrator. Within a few days of his appointment as Prime Minister he issued a communiqué in which he offered to participate in an effort to settle a number of outstanding issues involving relations with other Arab countries. This effort met with failure. The new Prime Minister was more successful, however, in his attempts to reform Saudi Arabia's monetary system.

Saudi Arabia's policy with respect to the Palestinian question has not changed since the days of Abd al-Aziz. The old King had argued that Palestine was

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## BOOK REVIEWS

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### ON THE MIDDLE EAST

**INFORMATION AND THE ARAB CAUSE.** By M. ABDEL-KADER HATEM. (New York: Longman Inc., 1974. 320 pages and index, \$15.00.)

"Industrial man's insatiable appetite for fuel energy has focused attention on the wealth of the Arab world." Writing from the Arab point of view, the author, now First Deputy Prime Minister of Egypt, believes that the Arab states until very recently "suffered from a prolonged lack of understanding of [their] true character and reasonable interests." Because of the oil embargo imposed by the Arab states during and after the Middle East War of 1973, the world has become aware of the key position of the Arab world: "both as a provider of oil, and, in the context of Palestine, as an element indispensable to international peace."

Hatem has been associated with the information branch of the Egyptian government since 1952; in addition to his present ministerial post, he holds the position of Minister of Culture, Information and Tourism. It has been in large part because of his efforts that the Arab states have been so successful in presenting the Arab viewpoint. In the 1973 Middle East War, for the first time, Arab battlefield communiqués were generally reliable.

The book is a well-written exposition of the aims of the Arab countries and an interesting history of the growth and success of their public relations efforts on behalf of their cause. O.E.S.

**POLITICAL DICTIONARY OF THE MIDDLE EAST IN THE TWENTIETH CENTURY.** EDITED BY YAACOV SHIMONI AND EVYATAR LEVINE. (New York: Quadrangle Books, 1974. 510 pages, illustrations and maps, \$6.95, paper.)

This revised paperback edition of a 1972 edition is the result of the events of the last two years, in particular, the 1973 Middle East War. The dictionary is a "concise political compendium" of the Middle East in the present and recent past.

The list of contributors is impressive. They are Oriental specialists for the most part; all of them are Israelis, who appear to have written with commendable objectivity. The reader will find a wealth of useful information in this only compendium on the Middle East in dictionary form. O.E.S.

**MODERN TURKEY.** By GEOFFREY LEWIS. (New York: Praeger Publishers, 1974. 255 pages, photographs, maps, bibliography and index, \$11.50.)

Geoffrey Lewis has written an excellent history of modern Turkey, unfortunately not quite modern enough to relate the political happenings in Turkey and Cyprus in 1974. O.E.S.

**THE MIDDLE EAST: A POLITICAL AND ECONOMIC SURVEY.** EDITED BY PETER MANSFIELD. 4th Edition. (New York: Oxford University Press, 1973. 591 pages, appendix, reading list and index, \$19.95.)

This is reliable, well-organized, readily accessible information on the Middle East that is vital for anyone trying to keep abreast of the current situation.

Alvin Z. Rubinstein  
University of Pennsylvania

**A LIFE FOR ISRAEL: THE STORY OF GOLDA MEIR.** By ARNOLD DOBRIN. (New York: The Dial Press, 1974. 97 pages, bibliography, chronology and index, \$4.58.)

This book for younger readers is the story of the building of the Israeli nation and the career of former Premier Golda Meir.

**TRUMAN, THE JEWISH VOTE AND THE CREATION OF ISRAEL.** By JOHN SNETSINGER. (Stanford: Hoover Institution Press, 1974. 208 pages, bibliography, notes and index, \$6.95.)

A controversial book that claims that President Harry Truman was not a firm supporter of the cause of a Jewish state until just before the 1948 United States elections.

**JORDAN.** By FREDERICH KING POOLE. (New York: Franklin Watts, Inc., 1974. 65 pages and index, \$3.45.)

An interesting book that gives a vivid description of the history, past and present, of the nation of Jordan.

**BEN-GURION, STATE-BUILDER.** By AVRAHAM AVI-HAI. (New York: John Wiley & Sons, 1974. 354 pages, bibliography, notes and index, \$12.50.)

The author has written an in-depth study of Ben-Gurion's role in the creation and survival of the state of Israel.

**THE U.S.S.R. AND THE ARABS.** By JAAN PENNAR. (New York: Crane, Russak & Company, Inc., 1974. 180 pages and index, \$9.75.)

Jaani Pennar discusses the influence of Soviet ideologies and practice on the Arab nations of the Middle East. O.E.S.

## UNITED STATES POLICY IN THE MIDDLE EAST

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of the Arab-Israeli conflict, the IEA has introduced an element of flexibility into the range of positions open to the European governments. As a result, in November, 1974, the European Common Market announced a common position in regard to the conflict—the market governments recognize the legitimate demands of the Palestinians, but only to the point where they conflict with Israel's right to exist "behind her pre-1967 boundaries."

### THE ARMS RACE

Another Western strategy to lessen the balance-of-payments deficits that accompanied the oil price rises has been to increase arms sales to the newly wealthy producer countries. Shah Mohammad Pahlevi of Iran reacted strongly to the July, 1974, statement by United States Treasury Undersecretary Jack Bennett that: "any attempt of an oil-producing country to limit supplies would have military and strategic implications."<sup>11</sup> The military implications refer to the more than \$5-billion worth of arms that the Shah has ordered from the United States and Great Britain over the past two years.

Arms suppliers do not exercise exclusive influence over their customers, however. Were a rift to develop between the United States and Iran, France would almost certainly be willing to step into it. France concurred in the Common Market's position on Israel, but she elected not to participate in the IEA. The French government has been developing its own bilateral relationships with the oil-producing countries. Last year, for example, France agreed to sell Iran five nuclear plants. French Radical party leader Jean J. Servan-Schreiber reportedly declared that France was willing to provide atomic weapons to the Arabs.<sup>12</sup> And, during November, 1974, France reached an agreement with the Egyptian government to supply that country with a number of fighter bombers.

Iran's nuclear agreements were concluded almost simultaneously with the announcement in Washington that the United States planned to sell nuclear reactors to Egypt and Israel. Congress has failed, thus far, to authorize the sales. Egypt will still receive the reactor, but from France. In the United States,

however, congressional response suggests that Kissinger is operating without firm domestic support for his negotiating strategies.

Substantively, the nuclear reactor plans raised the issue of qualitative limits on military or potentially military sales. In November, 1973, the Soviet Union reportedly sent nuclear material to Egypt, and six months later it began supplying Egypt and Syria with the advanced MIG-23's. The nuclear reactors, by contrast, were to be used for peaceful purposes.

Few observers, however, believe that safeguards guaranteeing the peaceful use of exported nuclear reactors are meaningful. For this reason, American members of the ordinarily non-political Pugwash Conference complained about the United States-Egyptian agreement. After the recent Indian nuclear explosion, the issue of nuclear proliferation again arose, and the basic assumptions of the client-state system questioned.

In the Middle East, the maximum benefit that can be expected from influence based on arms supplies is that the United States might encourage short-term accommodation in the Arab-Israeli conflict. That has already taken place. The long-run implications of fueling an arms race are far less positive.

President John Kennedy's offer to Israel of Hawk surface-to-air missiles was reportedly a quid pro quo in exchange for which Israel agreed not to develop nuclear weapons. Yet Israel has not signed the non-proliferation treaty, and United States policy makers have assumed since 1971 that Israel possesses several nuclear warheads.

A few months before the outbreak of the 1973 hostilities, one observer of the continuing conflict wrote that: "because of their general attitude about proliferation, it seems inconceivable that Egypt could obtain nuclear weapons from any of the present nuclear powers."<sup>13</sup> While Kissinger's plan to sell a reactor to Egypt is a more limited commitment, it does represent a new level of American involvement.

The same can be said of arms sales to "second circle" Arab countries, particularly to Saudi Arabia, which has recently taken a more militant stance toward Israel. The Saudi arms purchases are estimated to total more than \$1 billion in fiscal 1975. Israel, not surprisingly, can be expected to respond to Saudi Arabia's increasing military expenditures; Israel has received approximately \$5-billion worth of United States arms since the 1973 war.<sup>14</sup>

The renewed arms race is taking place in the context of a formidable collection of political issues that must be resolved before the United States and the Soviet Union can extricate themselves from their clients' demands. The Soviet experience in Egypt was that arms-linked influence was unreliable. Soviet weapons were used in 1973, despite signs that Soviet leaders discouraged the Egyptian offense.

<sup>11</sup> *Keyhan International* (Teheran), July 13, 1974.

<sup>12</sup> *Mexico City News*, February 7, 1974.

<sup>13</sup> Yair Evron, "Israel and the Atom: The Uses and Misuses of Ambiguity, 1957-1967," *Orbis*, vol. 17, no. 4 (winter, 1974), p. 1339.

<sup>14</sup> A discussion of patron-client relationships in the Arab-Israeli conflict can be found in Steven Spiegel's, "The Fate of the Patron: American Trials in the Arab-Israeli Dispute," *Public Policy*, vol. 16 (1973), pp. 173-202.

Some observers of the increasingly tense Middle East scene argue that the Arab-Israeli crisis will be defused only when the two nuclear superpowers agree to severe limits on their arms shipments to the area. While the Vladivostok meetings between Soviet General Secretary Leonid Brezhnev and United States President Gerald Ford undoubtedly touched on such limitations, the recent past has seen a continued spiraling of military commitments.

The military presence of the superpowers in the region has also been very much in evidence in other ways. In addition to sending arms to its major clients, the United States sent its aircraft carrier *Constellation* to participate in the November, 1974, CENTO\* Indian Ocean exercise (Midlink 74), alongside ships from Britain, Iran, Pakistan and Turkey. The exercise was: "designed to demonstrate the alliance's strength in the approaches to the Persian Gulf and the world's richest oil reserves." It took place in the context of increased Soviet naval and air activity in the region.<sup>15</sup>

The CENTO exercise is instructive because it encompasses all three major United States goals in the Middle East—protecting oil supplies, limiting Soviet influence, and supporting Israel. Iran is Israel's major external source of oil. Therefore, the shipping lanes from the Persian Gulf, around the Arabian Peninsula and into the Red Sea, must be protected. During the 1973 war, the United States responded to Egypt's blockade of the Bab al-Mandeb Straits by moving its token naval force from Bahrain (in the gulf) toward the straits.

Even so, the Kissinger approach is more than arms-linked influence. The promise for continued progress in resolving the Arab-Israeli conflict lies in the extent to which diverse negotiating strategies are developed in the coming months. The protagonists' capacities to wage another more devastating and technologically sophisticated war have increased; the costs of failure to negotiate a settlement have grown correspondingly.<sup>16</sup>

The 1974 Middle East negotiations furthered United States interests by paving the way for more cordial relations with Egypt. Soviet influence dwindled, and the Arab oil boycott was ended. However, the dilemma of the United States has always been that it has interests on both sides of the Arab-Israeli conflict. And that dilemma will continue as long as there is a stalemate at the negotiating table.

\* Central Treaty Organization.

<sup>15</sup> Indian Defense Minister Swaran Singh registered his "deep concern" over the size of the exercise, in a speech to Parliament, *The New York Times*, November 21, 1974.

<sup>16</sup> The probable nature of a fifth war is discussed by Nadav Safran in his article "The War and the Future of the Arab-Israeli Conflict," *Foreign Affairs*, vol. 52, no. 2 (January, 1974), pp. 215-236.

## SAUDI ARABIA

(Continued from page 79)

an Arab area and that the Israelis had no right to the land. He felt that the European Jews who had suffered so horribly from Nazi extermination policies should return to their country of origin, because the Allied victory had removed the Nazi threat to their existence. From Abd al-Aziz's point of view, this was reasonable; he believed that the Jewish question was a European problem, and that the sins of the Europeans should not be expiated at the expense of the Arabs.

There is considerable doubt that this position will change. King Faisal views the Israelis as intruders and he feels that now is the time to force the major oil-using nations to force Israel into compliance. He does not feel that a settlement would require the elimination of the state of Israel but he does feel that it would require Israeli withdrawal from all occupied territories. There are at least two reasons behind this policy. First, King Faisal is a devout Muslim and he is fully committed to Israeli evacuation of East Jerusalem, Islam's third most holy city. He has stated repeatedly that he wants to pray in the mosque of Dom of the Rock and he would hardly do so as long as the city is in Israeli hands. Second, the "Arab Cause," that is the Arab's fight against Israel and other forces threatening Arab culture, is immensely popular among the younger Saudis. To guarantee the survival of a conservative monarchy among the left-leaning Arab states, Faisal must prove that he is willing to be in the forefront of the struggle with Israel. Only if he convinces his leftist critics of his sincerity in his commitment will he have the opportunity to further the ideal of Pan-Islamism, that is, the creation of a united Islam that cuts across national concerns.

Saudi Arabia has been an active participant in the Arab-Israeli conflict. The kingdom's major contribution has been in the form of cash subsidies to Egypt, Jordan, and certain Palestinian groups. At the Khartoum Summit meeting, Saudi Arabia pledged S.R. 630 million (\$140 million) as its contribution to the Arab cause. This generous promise, which the government kept despite continued frictions between the United Arab Republic and the kingdom, contributed to the Saudi fiscal crisis of 1969/1970.

Saudi Arabia is the most conservative force in the Middle East. Until 1956, there had been no friction between Egypt and Saudi Arabia. After the overthrow of King Farouk in 1952, relations between the countries continued amicably. In 1956, however, Egyptian President Gamal Abdel Nasser nationalized all foreign property in Egypt, including that held by Saudi citizens, and relations became strained. When

Nasser announced his doctrine of Arab socialism, after his failure to gain support from the United States and the World Bank for the Aswan High Dam project, he turned to the Soviet Union for aid. The Russians saw a chance to gain a foothold in the Middle East and offered to support the project. Secure in this support, Nasser accused the United States and the other NATO countries of imperialistic behavior. Soon he broadened his attacks to include all Third World countries supporting the Western imperialists. Egypt began a propaganda war against Saudi Arabia, Jordan and Syria.

The relationship between Saudi Arabia and Egypt reached its low point in the fall of 1962, when Nasser intervened in the Yemen. Nasser saw an opportunity to gain the oil riches of Arabia through the back door. Until January, 1963, the conflict between the two rival factions was stalemated. Egyptian propaganda attacked Faisal again and again, trying to drive a wedge between the royal family and the younger, foreign-educated air force and army officers, and foreign-educated government employees. Consequently, Faisal broke relations with the then United Arab Republic (U.A.R.) At the end of December, 1962, the Egyptian air force attacked some Saudi border towns. In response to this attack, Faisal ordered a general mobilization. A few days later, he proclaimed his conditions for ending the war: the withdrawal of all foreign armed forces from Yemeni soil, the end of all foreign interference in internal Yemeni affairs, and guarantees that the Yemeni could choose their own government. The war in Yemen continued until the summer of 1965, when the number of Egyptian troops rose to about 60,000. Despite this formidable armed force, Egypt could not defeat the resisting loyalist forces commanded by the Imam, Muhammad al Badr. A final Egyptian offensive in the summer of 1964 failed, and King Faisal and President Gamal Abdel Nasser met in Jeddah from August 22 to August 24, 1965, to work out a solution to the Yemeni impasse. After the Jeddah Conference, the two sides issued a memorandum laying down the basic conditions for a solution. Unfortunately, a conference of all interested Yemeni parties in Harad, Saudi Arabia, with Saudi Arabia and Egypt in attendance, failed to reach complete agreement. It did, however, achieve a cease-fire among the contending Yemeni factions.

Neither Saudi Arabia nor Egypt gained an absolute success in the Yemeni conflict. President Nasser failed to subvert the King's conservative government or to tap the country's vast resources for Egypt's development. Despite Saudi Arabia's failure to dislodge the Egyptian army from its southern border, the war had a salutary effect on the kingdom. Faisal's

firm leadership in the dispute gained him greater recognition in the kingdom and was one of the factors contributing to his investiture as King and Imam. Although the danger of open warfare between the two Arab countries was averted, the relationship between them remained strained.

Another important aspect of recent Saudi Arabian history was the eastern boundary dispute. In 1949, Saudi Arabia advanced a territorial claim to the major part of Abu Dhabi, a claim that had its roots in the nineteenth century. There were several reasons for Saudi Arabia's claims in the Buraimi Oasis. It was assumed that there were large oil deposits in the area. The Saudi Arabian government was opposed to the presence of British troops in the Trucial States and wished to dislodge their presence. And, there was a faction of the ruling Saudi elite that wanted to pick up where Abd al-Aziz had stopped and wanted to extend the kingdom's rule throughout the Arabian Peninsula.

Many parties were involved in the dispute, which must be viewed as an Arabian Gulf problem rather than a local problem involving only Saudi Arabia and Abu Dhabi. The Iraqi government laid claim to Kuwait as part of its historical domain. The Shah of Iran advanced claims to certain islands, including Bahrain, in the gulf. In addition to the local participants, the United States, Britain and Egypt also involved themselves in the dispute. During the early 1960's, the contending factions laid down "unalterable" demands to which there appeared no amicable solution. All these disputed claims and counterclaims were settled between 1964 and 1974. Saudi Arabia recognized Abu Dhabi as an independent state, renounced its claims on the Buraimi Oasis, and agreed to a formal boundary between the two areas. Bahrain has become an independent state, and Iran has relinquished her claims on the island. Thus at the moment, at least, it appears that peace and harmony will prevail in the Arabian Gulf.

On November 6, 1962, Crown Prince Faisal issued a 10-point program outlining proposed social and economic reforms.<sup>8</sup> Point One called for the:

promulgation of a Basic Law for the government of the country, drawn from the Koran and the Tradition of the Prophet and the acts of the Orthodox Caliphs, that will set forth explicitly the fundamental principles of government and the relationship between the governor and the governed. . . .

Point Two promised to draw up "legislation that will regulate the system of local government in the various provinces of the Kingdom." Point Three announced the creation of a Supreme Judicial Council and a Ministry of Justice, and Point Four outlined the establishment of:

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<sup>8</sup> DeGaury, *op. cit.*, pp. 147-151.

## JORDAN

(Continued from page 65)

ease Jordan's immediate difficulties, it could pose serious questions about the nature of the Jordanian state.

Negotiations with Israel have not proceeded smoothly. Verbally, Jordan has taken a strong line, accusing Israel of an expansionist policy and denouncing the "desecration" of Islamic shrines and the deportations of West Bank residents—all this in the symbolic opening of the Geneva conference. Jordan also rejected an Israeli plan for limited disengagement. Premier Rifai declared emphatically that "under no conditions will Israel be allowed to establish military positions or civilian settlements on any part of the West Bank."<sup>29</sup> And in a speech honoring President Nixon in Amman, Hussein declared that "it must be made clear to Israel that security cannot be achieved by seizing land." "Peace cannot be fulfilled unless the legitimate rights of the Palestinian people are recognized and recovered."<sup>30</sup>

Until the Rabat summit meeting, Amman had been seeking negotiations on the basis of a specific disengagement plan tied to an Israeli commitment to withdraw entirely from the West Bank.<sup>31</sup> Hussein, moreover, regarded a limited disengagement as a precondition for Jordan's full participation in regional peace efforts. He charged that in refusing to discuss troop withdrawals, Israeli Prime Minister Yitzhak Rabin "has given us a prescription for another explosion in the Middle East. . . . What is there left to negotiate?"<sup>32</sup>

Jordan's non-regional diplomacy continued to focus on Europe and the United States. In January, 1974, the King visited Rumania for the first time, holding talks with President Nicolae Ceausescu, and in February the Rumanians agreed to help Jordan explore for oil. Hussein journeyed to London for consultations with Prime Minister Edward Heath in February and Prime Minister Harold Wilson in March, evidently in conjunction with a request for military equipment. He met with Spanish General Francisco Franco during a two-day visit to Spain in

<sup>29</sup> *The Arab World*, May 13, 1974.

<sup>30</sup> *Ibid.*, June 18, 1974.

<sup>31</sup> The plan was said to involve an initial Israeli pullback of 12 kilometers west of the Jordan River, which would permit the Jordanian government to assume civilian administration of those West Bank towns given up. *The Jerusalem Post*, July 28, 1974; *The Manchester Guardian*, August 3, 1974.

<sup>32</sup> *The Arab World*, July 1, 1974.

<sup>33</sup> See *The Arab World*, February 18, 1974; *The Washington Post*, March 13, 1974, June 19, 1974.

<sup>34</sup> United States-Jordanian Joint Communiqué, quoted in *The Arab World*, June 19, 1974.

<sup>35</sup> *The Jerusalem Post*, August 20, 1974.

May. A cultural cooperation agreement was signed with the Soviet Union in March, providing for scholarship grants to Jordanian students, exchanges of books and films, and visits of athletic and cultural delegations.

## THE UNITED STATES AND JORDAN

In recognition of Jordan's moderating role in the area, the Nixon administration asked Congress for \$207.5 million in grants and credits for Jordan in fiscal year 1975. Well over half of this was for military grants. Despite the rather generous flow of United States aid to Jordan, there were periodic reports of Jordanian dissatisfaction with United States aid levels, and ranking Jordanians evidently expressed skepticism over United States policy toward the Hussein regime.<sup>33</sup> Responding to such reports, Premier Rifai termed United States-Jordanian relations "excellent." During a stopover in Jordan in December, 1973, United States Secretary of State Henry Kissinger reported "complete identity" of views with the Jordanians on the steps necessary to peace, a statement he repeated during a January, 1974, visit.

At the close of the historic Nixon mission to Jordan on June 17-18, 1974, "the United States reaffirmed its continued active support for the strength and progress of Jordan."<sup>34</sup> The first meetings of the United States-Jordanian Joint Commission, which grew out of the Nixon trip, were held in August; the commission will review United States investment in Jordan, the prospects for increasing United States-Jordanian trade, and United States military assistance. King Hussein made several trips to Washington in 1974, including one in March and another in August, when he met with President Gerald Ford and other United States officials. Although the United States promised that consultations would continue "with a view to addressing at an appropriately early date the issue of particular concern to Jordan, including a Jordanian-Israeli disengagement agreement,"<sup>35</sup> the United States has been unable to secure such an agreement. Faced with the ever present threat of renewed warfare and caught in the tightening grip of conflicting Arab, Palestinian, and Israeli interests and ambitions, Jordan will continue to mark time until the West Bank issue is finally resolved. ■

## ISRAEL

(Continued from page 60)

because the United States has become the indispensable power for the acquisition of arms for war and in the search for peace.

The 1973 war highlighted the importance of an Arab-Israeli peace and appeared to open new avenues toward that goal. American diplomacy, primarily

Secretary of State Henry Kissinger's personal efforts, secured the initial cease-fires and the subsequent Israeli-Egyptian and Israeli-Syrian disengagement agreements. President Nixon's triumphant tour of the Middle East in June seemed to cap this phase of activity and to create an atmosphere of expectation. Israel seemed willing (despite misgivings and suspicions because of past Arab treachery) to test Arab intentions.

But this approach foundered in the fall of 1974. The October 14 United Nations General Assembly decision, by a vote of 105 to 4 (with 20 abstentions and 7 absent), to invite the Palestine Liberation Organization (PLO) to participate in the General Assembly debate on the Palestine question was a setback for Israel's position. It emphasized Israel's international isolation and her dependence on the United States (which, with Israel, provided 2 of the 4 negative votes). In addition, it complicated Israel's negotiating stance. The decision of the Arab summit meeting in Rabat (October 26-29) to recognize the Palestine Liberation Organization as "the sole legitimate representative of the Palestinian people" and its call for the creation of an independent Palestinian state on any occupied "Palestinian land" that Israel may relinquish created a new factor in the Arab-Israeli situation.

The full impact of the "Palestine Summit" remains to be seen. But initial reactions presaged increased difficulty in negotiating toward peace and suggested an increased chance of war.<sup>14</sup> Israel's reaction was clear. Although Israelis have noted that: "in the settlement, the Palestinian problem has to be solved because without its solution there will be no durable peace in the Middle East,"<sup>15</sup> Israel has argued that an agreement must be reached between Israel and the Arab states. When he was asked whether there were any circumstances under which Israel would negotiate with Arafat or other Palestinian guerrilla leaders, Rabin noted:

Well, I don't believe that Israel can negotiate with those that first declare that their purpose is the destruction of Israel. After all, these leaders are committed to the destruction of Israel as a Jewish independent state. Second, they try to carry it by murderous activities, the kind that were carried into Qiryat Shemona, Ma'alot and other places.<sup>16</sup>

Following the Rabat meeting, on November 5, 1974, Rabin reiterated in the Knesset that Israel

would not negotiate with the PLO. The lines seemed to be drawn, and many observers have suggested that war is inevitable if not imminent. While the IDF seemed prepared to deal with an Arab attack, Israel's main focus was on a diplomatic effort that would accommodate the changes internal and external brought about by the October War. ■

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## UNITED STATES POLICY TOWARD THE PERSIAN GULF

(Continued from page 73)

very destabilizing thing. Only time can tell how well the Gulf rulers can maintain evolutionary change against the threat of revolutionary change. The Soviet Union will also be in a stronger strategic position if the Suez Canal opens; there is considerable debate as to whether a Soviet gain is necessarily a United States loss and to what degree détente will affect United States-Soviet competition in the Gulf. In light of all these factors, the chances are bright for a continued policy of watchful restraint in a highly volatile area. ■

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## ECONOMIC AND POLITICAL DEVELOPMENTS IN EGYPT

(Continued from page 68)

have shown the susceptibility of these states, particularly Japan and many West European states, to such pressures.

Sadat's view of Arab unity calls for an initial policy of cooperation, followed by ever closer relations. An example of Sadat's flexibility was his reaction to Syrian and Libyan initiatives in 1971 to form the Federation of Arab Republics. The Egyptian President was willing to proceed cautiously in developing such a federation, but he seemed determined to avoid the type of haste which doomed the earlier Cairo-Damascus effort at an Egyptian-Syrian merger. This approach was to move gradually toward any eventual merger, first emphasizing close cooperation on issues of common interest. Sadat apparently applied the same criteria in dealing with Libyan pressure to hasten unification in the fall of 1973.

Thus, in the area of foreign policy, the Sadat government has adopted a liberalized and pragmatic policy aimed at achieving maximum, long-range benefits for Egypt. The continued success of this endeavor to move toward what some have termed "positive neutralism" is, to a large extent, dependent on decreasing the threat of war.

Egypt's present foreign policy of moderation and her domestic experiment with liberalization will be doomed if a final peace settlement cannot be achieved. But the Sadat government would prob-

<sup>14</sup> By mid-November 1974, there were military mobilizations in the region. In a press conference on November 15, Secretary of State Kissinger cautioned against overexaggeration of the danger and noted: "We do not believe that a conflict is imminent." Nonetheless, he was obviously trying to ease an increasingly tense situation and was responding to growing public concern about the possibility of war.

<sup>15</sup> Yitzhak Rabin, *Issues and Answers*, July 14, 1974.

<sup>16</sup> *Ibid.*

ably find it politically difficult, if not impossible, to agree to anything less than its stated goals; the return of the occupied territories and a just settlement of the Palestinian problem. If the only alternative is another conflict, then it is likely that the economy will be controlled and political activity will be restricted, and the moderate policies of the Sadat government will to a large degree disappear.

In summation, Cairo's policy of relaxing political and economic controls has resulted in significant progress. Egypt's efforts to encourage the return of free enterprise and foreign investment from the Arab and Western states, while retaining reasonable economic relations with the socialist countries, has begun to pay solid dividends. These efforts have been accompanied by a similar flexibility in the international arena; the net result has been the infusion of badly needed capital and technology into Egypt. Even greater growth is possible, as additional resources are applied toward Egypt's economic problems. However, two important ingredients are essential if the country is to continue to enjoy significant progress. The rapidly increasing population must be controlled. And lasting peace must be achieved so that Egypt can turn her attention away from war and toward internal development. ■

## MIDDLE EAST OIL

(Continued from page 53)

the price rise was undoubtedly the oil embargo. The key to the operation of a cartel, and hence its most vulnerable point, is the restriction of production. The embargo made this easy, since the largest producers were already restricting their production for political motives. Another political condition was the assumption of total control over decisions on production and pricing by the sovereign governments of the producing states. In the development of the international petroleum industry, such decisions had originally been the exclusive right of international companies. After the founding of OPEC in 1960, these decisions became the subject of negotiation between the companies and the producing governments. In October, 1973, unilateral decisions by the producers replaced the process of negotiation.<sup>19</sup> In

<sup>19</sup> George Lenczowski, "The Politics of World Oil," to be published in the forthcoming record of the Conference on World Oil by the American Enterprise Institute.

<sup>20</sup> Jim Hoagland, "Saudi Criticism Seen as Pressure on Aramco," *The Washington Post*, November 11, 1974.

<sup>21</sup> M. A. Adleman, "What Economic Factors Will Influence the Scene?" in "Oil and Governments," *Financial Times and the Oil Daily*, New York, November 13-14, 1974, p. 8.

<sup>22</sup> National Energy Project, *op. cit.*, table 1, p. 5.

<sup>23</sup> "The Shahanshah's Proposal for a New Oil Pricing System," *The Washington Post*, November 11, 1974, p. A9.

the area of production, the companies were reduced to the role of agents of the producing countries. Participation agreements, including new agreements concluded by Kuwait and Abu Dhabi, giving the governments a 60-40 percent majority, still had some significance in the determination of actual average prices, since the companies received their "equity" oil at a lower price. In July, 1974, a tentative 60-40 agreement was announced between the largest producer, Saudi Arabia, and the largest company, Aramco. But the Saudis have continued to press for 100 percent control, and are still negotiating with Aramco on the terms of their new relationship.<sup>20</sup> Some special relationship, even if it only assures access to crude at no special price advantage, would still seem to benefit both the companies and the producing countries. The companies obviously wish to secure a steady supply situation, while the producing countries would rather deal with cooperative companies than with alert and aggressive consumers in a totally free market.<sup>21</sup>

An often overlooked political condition necessary to sustain the current high price levels is the very existence of OPEC. Formed by the producing countries to protect themselves against the unilateral pricing decisions of the international companies, OPEC is a constant reminder that the oil-producing countries have achieved their dominant position only through cooperation. Any break in OPEC solidarity could start a slide that they would be unable to control.

Western economists have argued that the current high level of oil prices cannot be sustained and is, in fact, contrary to the best economic strategy for the producers. At a certain level of prices (Hendrik Houthakker suggests a Middle East selling price of about \$7 per barrel by 1980); the increased revenue from higher prices would not make up for the decreased revenue because of the decline in volume, and net revenue to the producing countries would actually decline.<sup>22</sup>

Thus far, economic arguments have not moved the producing countries. They have maintained the price levels established at the beginning of 1974 and have even taken actions that have increased the selling price, while leaving the posted price unchanged. Their major economic argument is that they need their current revenues to keep up with the world inflation rate and to sustain their development plans. The Iranian government took a full-page advertisement in American newspapers in order to reprint an imperial press conference in which the Shah outlined Iran's position.<sup>23</sup>

## PETRODOLLARS

The major difficulty for the industrialized consumers, and potentially a major divisive force among

the producers, is in the fact that a number of the producing countries simply cannot spend their large cash revenues, despite their most ambitious development plans, consumer purchases, foreign aid, and military expansion. When oil revenues purchase Western goods and services, they impose no great economic strain. However, it is estimated that in 1974 alone some \$60 billion in "petrodollars" will enter the world financial system, largely in the form of short-term, high-interest deposits in European and American banks. Any rapid shifting of these funds could weaken the banking systems involved.<sup>24</sup>

As the largest holder of such excess deposits, Saudi Arabia has been the leader in seeking to lower (or at least not to raise) the current oil price levels. The Saudis have publicly pledged that they would not reduce production should the consumers reduce their demand through energy conservation, even though such a reduction might be necessary in order to maintain the price level.<sup>25</sup> They have also suggested that Arab good will gained through a satisfactory Arab-Israeli peace settlement might also be reflected in lower prices.

There are clearly good economic and political arguments for lowering the price of oil, but these reasons are not operating in the short run. Iran and Saudi Arabia are the producers most able to affect the price of oil by their actions. Politically, they have been traditional American friends in the area. Iran, indeed, is a formal American ally.<sup>26</sup> Economically, however, Iran is able to use revenue for development. Saudi Arabia, which has the best economic situation for lowering prices, is anxious to keep in step with OPEC and with the other Arabs. She does not wish to seem to reward the United States before a peace settlement in the Arab-Israeli conflict. It is difficult to find a major producer that is both politically and economically motivated to seek lower prices. Both Saudi Arabia and Iran, however, have repeatedly called for a conference of producers and consumers to work out a long-term solution to the problems of pricing and supply.

<sup>24</sup> "Where the Oil Money's Gone," *The Economist* (London), September 21, 1974, p. 101.

<sup>25</sup> National Energy Project, *op. cit.*, p. 31.

<sup>26</sup> The form of the alliance is contained in a bilateral executive agreement signed in Ankara on March 5, 1959, and in the United States' close ties to the Central Treaty Organization, which amount to its virtually full membership in CENTO.

<sup>27</sup> Some of the relationships between Saudi Arabia and the United States are detailed in Dana Adams Schmidt, "U.S., Saudi Arabia Forge 'Special' Ties," *The Christian Science Monitor*, June 4, 1974.

<sup>28</sup> David Anable, "U.S. Food Offer Tied to Cooperation on Oil—Ford Warns UN of Need for Global Strategy," *The Christian Science Monitor*, September 19, 1974.

<sup>29</sup> Takashi Oka, "New Agency a Ray of Hope in West's Oil Crisis," *The Christian Science Monitor*, November 22, 1974.

The major consuming countries have so far avoided a general conference with the producers. Thus far, they have lacked the necessary degree of coordination among themselves. Under the leadership of Secretary of State Henry Kissinger, the United States was able, almost single-handedly, to bring about the disengagement agreements necessary to end the oil embargo. The United States apparently hoped that operating through diplomacy, aid programs and the development of a close special relationship with Saudi Arabia, it could single-handedly bring down the price of oil as well.<sup>27</sup>

When these efforts failed, the United States warned of dire economic and political consequences unless oil prices were reduced. The political determination of oil prices was condemned and, at the same time it was hinted that the United States might be forced to link its political commodity export, food, to the price of oil. President Ford made this point in a speech to the United Nations General Assembly in September, 1974:

Many developing nations need the food surplus of a few developed nations. And many industrialized nations need the oil production of a few developing nations. The problems of food and energy can be resolved on the basis of cooperation—or they can be made unmanageable on the basis of confrontation.<sup>28</sup>

Efforts at consumer cooperation were not totally abandoned, but they were pursued simultaneously with independent American initiatives. These began with a Washington conference in February. The lukewarm enthusiasm of the conferees arose from the fact that the United States, the major target of the oil embargo and the least vulnerable industrialized country (with the exception of Canada), had the most to gain and the least to lose through cooperative action that could be taken as hostile to Arab interests. Still, the conference resulted in the establishment of a working group of 12 countries, which, in turn, eventually produced a potentially significant agreement. This was the energy-sharing plan; the new International Energy Agency was established in November, 1974, under the auspices of the Organization for Economic Cooperation and Development (OECD) in Paris.<sup>29</sup> This agency was formed with 15 members, when Sweden, Switzerland and Austria joined the original group. A weighted system of voting, based on oil consumption, was established. The members agreed to conserve oil, to build up their stockpiles, to engage in joint research for alternative energy sources, and to share their oil in case of an emergency. The sharing provisions are to go into effect automatically when any country's imports drop by more than 7 percent. France and Norway have thus far declined to join the International Energy Agency (IEA).

Finally, in November, Secretary Henry Kissinger

revealed his master plan for the solution of the energy crisis.<sup>30</sup> He acknowledged that the oil producers had thus far paid little heed to the warnings of the consumers, since the consumers themselves had taken little action to defend themselves through cooperative efforts. He then presented his five-point program calling for:

1. The reduction of energy dependence on imported oil from one-third to one-fifth;
2. A full-scale program of research and development of alternative energy sources on a scale dwarfing the atomic bomb project;
3. The stabilization of the financial system through the creation of an international facility with an initial capitalization of \$25 billion projected to rise to \$50 billion in 1976, in order to recycle the petrodollars from countries where they are in excess to countries that need them to meet their energy bills;
4. Help for the developing countries, possibly through a separate trust fund in the International Monetary Fund (IMF);
5. The opening of a dialogue between the producers and the consumers.

It remains to be seen whether Kissinger's plan, if agreed upon, can persuade the oil exporting countries to lower their prices. There is certainly a fundamental community of interests, acknowledged on both sides, in the prosperity, stability and strength of the Western world. The difficulty lies in persuading the oil producers that Western stability is endangered before such damage becomes irreparable. ■

<sup>30</sup> Murray Marder, "U.S. Suggests 'Global' Plan on Oil Crisis," *The Washington Post*, November 15, 1974.

## SAUDI ARABIA

(Continued from page 83)

a Judicial Council consisting of twenty members chosen from among the outstanding jurists and ulema to look into the matters referred to it by the State and consider all the questions and requests for advice directed to it by individual Moslems.

Point Four is very important. The Koran and the Traditions are fixed and cannot be changed. Therefore, they are limited in their applicability to modern problems. The new Council was to be a mechanism to reconcile the legal problems of a modern society with the immutable rules laid down by God and His Prophet.

Because the government is aware of its obligation "to spread the call of Islam," Point Five called for the adoption of "all means necessary for the performance of this noble task." To improve the religious

climate within the kingdom, Point Six announced the resolve "to reform the Committees for Public Morality in accordance with the Sharia and Islam's lofty goals, for which they were originally created, and in such a way as to extirpate to the greatest extent evil motives from the hearts of the people." Point Seven was a promise to improve the lot of the average Saudi citizen by implementing various social legislation. Point Eight recognized the need for intensification and coordination of the economic development effort. To achieve this end, "a large number of important regulations will be issued gradually whereby the State will, before long, have a complete body of laws that will make for progress and greater activity and attract capital." Point Nine listed the priority items of the development plan. Among the projects to be undertaken were the creation of a road system; improvement of the water supply, including the construction of dams; and the encouragement of heavy and light industry. Furthermore, the memorandum called for the creation of an agricultural and an industrial bank. Finally, the establishment of the Economic Development Fund was announced. Point Ten ordered the abolition of slavery and the manumission of all slaves.

Nearly twelve years have passed since the announcement of this program, and many of the promises have been fulfilled. King Faisal's efforts in the Islamic cause are based on the assumption that Arabs and Muslims have common problems calling for a common solution. Some of these problems are: the Palestinian question; Muslim Kashmir's annexation by India and the denial of self-determination for the Muslim population; and the condition of Muslims in Russia and China. Because political, social and religious concerns are inextricably intertwined in Islam, to solve these problems advances the cause of Islam; that sacred burden is imposed on all Muslims.

Despite King Faisal's assertions that he does not wish to create an aggressive political power bloc to advance the interests of the Muslim countries, an Islamic call to solidarity will lead to such a bloc. Although the various Muslim countries have diverse social and political structures, their adherence to Islam gives them a common bond. In a world where the success or failure of policies is determined by the size of the state or the support of one of the superpowers, a united Muslim bloc could satisfy its demands for change. The recent use of the oil boycott as a sword is a case in point. There can be no doubt that the oil boycott caused a shift in United States support of Israel.

The King has been active in his efforts to advance the Islamic cause. He has traveled widely in the Muslim world, and his diplomacy has produced some solidarity among the Muslim states. A beginning has been made, and that is a most crucial step. ■

ERRATUM: We regret that Mrs. Eugenia Collier was incorrectly identified in our November, 1974, issue, on page 228. Her correct title is Visiting Lecturer, University of Maryland Baltimore County.

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# THE MONTH IN REVIEW

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*A CURRENT HISTORY chronology covering the most important events of December, 1974, to provide a day-by-day summary of world affairs.*

## INTERNATIONAL

### Cyprus Crisis

(See also *Cyprus*)

- Dec. 1—Greek Premier Constantine Caramanlis, Greek Cypriote leader Archbishop Makarios and Cyprus President Glafkos Clerides agree to a "common line" in their forthcoming negotiations with Turkey.
- Dec. 13—The U.N. Security Council votes to extend for 6 months the peace-keeping force on Cyprus.
- Dec. 17—In a surprise visit to a Turkish refugee camp, Archbishop Makarios is stoned and forced to retreat to his automobile.
- Dec. 18—Turkish officials agree to begin Cyprus peace talks if Archbishop Makarios assigns Glafkos Clerides, Speaker of the Parliament, full negotiating authority and if it is agreed that the conference goal is "geographical federation."

### European Economic Community (EEC)

- Dec. 10—Ending a 2-day meeting in Paris, leaders of the 9 Common Market countries issue a communiqué reflecting a promise to try to make their economic policies "converge"; the statement also indicates compromises on the questions of the "possibilities for cooperation between oil-exporting countries" and a British demand that she contribute less toward the running costs of the EEC.
- Dec. 17—At a meeting in Brussels of the EEC energy ministers, members of the EEC agree on a program of joint objectives for energy use by 1985.

### Middle East Crisis

- Dec. 6—In an early morning raid, Palestinian guerrillas wound 2 Israelis in the Israeli kibbutz of Rosh Haniqra, according to Israeli officers. Wafa, the Palestinian press agency in Beirut, reports the death of 1 guerrilla, in what it calls a 15-hour battle.
- Dec. 7—Tunisia's Interior Minister, Tahar Belkhodja, announces that 4 Palestinian guerrillas, involved in the hijacking of a British plane to Tunis last month, have surrendered to the Palestine Liberation Organization, which has been demanding their custody.
- Dec. 11—In answer to a question at Washington's Overseas Writers' Club, Israeli Foreign Minister Yigal Allon says that Israel will use her conference

veto to prevent the Palestine Liberation Organization from becoming a party to the Geneva conference on the Middle East.

- Dec. 12—Less than 24 hours after a grenade attack by the Palestine Liberation Organization in a Tel Aviv movie theater, Israeli planes attack 2 Palestinian camps in the southern outskirts of Beirut, according to official sources in Tel Aviv.
- Dec. 13—Egypt's Foreign Minister, Ismail Fahmy, declares that Israel must "freeze" her present population level and suspend immigration for the next 50 years in exchange for Middle East peace.
- Dec. 17—Israeli officials report that Syrian ground-to-air missile batteries near Damascus are manned by U.S.S.R. soldiers.
- Dec. 18—Israeli forces and Arab guerrillas from Lebanon exchange border raids and gunfire along the Israeli-Lebanese border.
- Dec. 22—A terrorist grenade attack on a tourist bus near the ruins of Bethany, Israel, injures an American girl passenger. A Palestinian guerrilla group in Beirut claims responsibility.

### North Atlantic Treaty Organization (NATO)

- Dec. 9—Following a meeting of the defense ministers of the European members of NATO in Brussels, an agreement on larger arms commitments to NATO from its European members is announced.
- Dec. 11—At the close of a 2-day meeting of NATO defense ministers, U.S. Secretary of Defense James R. Schlesinger reasserts the importance of tactical nuclear weapons as bargaining counters in the East-West talks on reducing armed forces in Central Europe.
- Dec. 13—NATO foreign ministers end a 2-day meeting in Brussels in which they discussed problems connected with oil diplomacy and the "risks and perils" to their political and military security from the on-going world economic recession.
- Dec. 15—U.S. General Alexander M. Haig, Jr., replaces U.S. General Andrew J. Goodpaster as supreme commander of NATO forces in Europe.

### Organization of Petroleum Exporting Countries (OPEC)

- Dec. 12—The director of Nigeria's petroleum resources department, Chief Meshach Otokiti Feyide, becomes OPEC's 10th secretary general.

Dec. 13—Concluding a 2-day meeting in Vienna, the OPEC countries promise stabilized oil prices for the next 9 months at a price of about 38 cents a barrel above the prices they set in September.

## United Nations

(See also *U.S., Foreign Policy*)

Dec. 9—A resolution approving the continuation of the United Nations Command in South Korea is passed by a 61-42 vote (with 32 abstentions) by the Political Committee of the United Nations General Assembly.

Dec. 12—The General Assembly votes 120 to 6 (with 10 abstentions) to approve a controversial 34-article text of a "Charter of Economic Rights and Duties of States"; every nation will have full sovereignty over its resources and economic activities, with the right to regulate foreign economic activity in accordance with its own laws.

Dec. 17—The Security Council unanimously adopts a resolution that calls on South Africa to withdraw from South-West Africa, which she has been administering since shortly after World War I.

Dec. 18—The U.S. and West Germany inform the General Assembly that they will not serve on the board of a special fund set up to assist the most economically distressed countries.

## ARGENTINA

Dec. 27—Julio Lyonnet is appointed to succeed Eduardo Alberto Ottalagano as rector of the University of Buenos Aires. Ottalagano has been a controversial rector because of his fascist leanings. Lyonnet is expected to be more moderate.

## AUSTRALIA

Dec. 14—Prime Minister Gough Whitlam departs for a 5-week tour of Europe and Asia, his 12th trip overseas since he took office 23 months ago.

## BANGLADESH

Dec. 28—President Mohammadullah declares a nationwide state of emergency to halt the increasing civil disorders. During 1974, 6 members of Parliament and nearly 3,000 members of the Aswami League party were killed.

## BURMA

Dec. 5—The body of U Thant, former Secretary General of the United Nations, is seized from a family funeral procession by students.

President Ne Win closes all secondary schools and universities.

Dec. 11—Martial law is declared in Rangoon because of rioting.

Dec. 12—Nine people are reported killed in yesterday's fighting with police.

Dec. 16—A total of 87 people are sentenced to jail terms of 3 to 5 years by military tribunals. They are accused of destroying public property in the December 11 rioting in Rangoon.

## CANADA

(See *U.S., Foreign Policy*)

## CHILE

(See *U.S., Legislation*)

Dec. 9—The Inter-American Commission on Human Rights, an arm of the Organization of American States, issues a report denouncing the government's torture of political prisoners. According to the report, the government is holding over 5,000 political prisoners.

## CHINA

Dec. 16—Wall posters in Peking reportedly carry a new directive from Chairman Mao, in which he asks the citizens "... to settle down. The entire party and army should unite."

Dec. 17—*Hsinhua*, the Chinese news agency, reports that Chairman Mao Tse-tung is meeting with Zaire President Sese Seko in Peking.

Dec. 23—*Historical Research*, a Chinese publication, publicly admits that, after 5 years of negotiation with the Soviet Union, the talks about their mutual boundaries in Mongolia are stalemated.

Peking radio announces the largest grain harvest in the country's history.

## CUBA

(See *Venezuela*)

## CYPRUS

(See also *Intl, Cyprus Crisis; United Kingdom*)

Dec. 7—Archbishop Makarios returns to reassume his position as President, after a 5-month absence.

Dec. 10—President Makarios gives his support to the current talks between representatives of the Greek Cypriote and Turkish Cypriote communities.

## DAHOMY

Dec. 5—The military government of President Mathieu Kerekou announces the nationalization of the country's banks, insurance companies, and oil distribution companies. Details of the compensation are not disclosed.

Dec. 15—*The New York Times* reports that the government has established "Defense of the Revolution Committees" to oversee the workers in all businesses in order to "protect the revolution from sabotage."

## EGYPT

(See also *Intl, Middle East*)

Dec. 2—A Soviet publication reports that the

U.S.S.R. will supply Egypt with a 460,000-kilowatt nuclear reactor.

Dec. 9—In a newspaper interview, Foreign Minister Ismail Fahmy states that it is in Egypt's national interest for the Soviet Union to play a larger role in Middle East peace-making efforts.

Dec. 26—President Anwar Sadat names General Mohammed Abdel Ghany el-Gamasy to succeed the late Field Marshal Ahmed Ismail as Commander in Chief and Defense Minister.

Dec. 28—Foreign Minister Ismail Fahmy and Defense Minister Gamasy leave for an unexpected visit to Moscow to confer with Soviet General Secretary Leonid Brezhnev.

Dec. 30—In Moscow, it is announced that the January, 1975, visit by Brezhnev to Egypt has been cancelled.

## ETHIOPIA

Dec. 2—At least 13 people are injured as bombs explode in Addis Ababa. The bombings follow explosions of fuel tanks at the international airport. The military committee imposes a 9 p.m. curfew.

Dec. 3—Armed troops patrol the streets of the capital city. Suspected terrorists are arrested.

Dec. 20—The government announces a reform program that includes collective farming, foreign investment, government control over industry, and a ban on opposition political parties.

Dec. 23—In Asmara, the capital of Eritrea province, fighting breaks out between secessionist rebels and government troops.

Dec. 25—Government troops patrol the streets of Asmara.

Dec. 27—The discovery of 18 more bodies brings the total to 50 victims of political assassinations in Eritrea.

Dec. 28—Information Minister Mikael Imru begins talks with Eritrean representatives on the secessionist movement.

## FRANCE

(See also *Iraq; Saudi Arabia; U.S.S.R.; U.S., Foreign Policy*)

Dec. 1—Postal and communication workers return to their jobs after a 43-day strike.

Dec. 3—The government announces the merger of the 2d and 3d largest automobile makers, Peugeot and Citroën, and the merger of the largest truck manufacturers, Saviem and Berliet. The government is subsidizing the mergers with \$290 million in an attempt to streamline the automobile industry.

Dec. 14—Premier Jacques Chirac replaces Alexandre Sanguinetti as secretary general of the Gaullist party until February, when a vote will be taken by the party congress.

Dec. 22—In a referendum, citizens of the French overseas territory of the Comoro Islands vote to become independent. The official transfer of power is expected to take place before July, 1975.

## GERMANY, DEMOCRATIC REPUBLIC OF (East)

(See *Germany, West*)

## GERMANY, FEDERAL REPUBLIC OF (West)

(See also *Intl, United Nations; U.S., Foreign Policy*)

Dec. 7—The East German government announces that West Germany has agreed to grant it long-term credit amounting to \$340 million a year until 1981. Armin Güneward, a West German spokesman, has stated that the agreement has been initiated although the Bonn government has not yet made "a final decision."

Dec. 9—In exchange for the long-term credit offered by West Germany, the East German government proposes to ease travel restrictions and improve economic relations between the 2 countries and West Berlin.

Dec. 12—The West German government announces that it has dropped its anti-inflation measures in favor of anti-unemployment and anti-recession policies. The inflation rate has been kept to 6.9 percent for the last 12 months, while the unemployment rate has continued to increase.

Dec. 19—Parliament approves the anti-unemployment and anti-recession bills submitted by Chancellor Helmut Schmidt.

## GREECE

(See *Intl, Cyprus Crisis*)

Dec. 8—Elections are held to decide whether King Constantine will be allowed to return as monarch or whether a republic will be established.

Dec. 9—Election returns show that the voters favor a republic by a vote of about 2 to 1.

The Parliament, meeting for the 1st time in 7 years, swears in its new members.

Dec. 11—In his address to Parliament, Premier Constantine Caramanlis warns the nation of economic austerity as the government begins the fight against inflation and stagnant industrial growth.

Dec. 14—Premier Caramanlis wins a vote of confidence in Parliament for his economic policies.

Dec. 15—President Phaidon Gizikis resigns. Parliament will select a provisional President.

Dec. 18—Michael Stassinopoulos is elected by Parliament as provisional President.

## IRAN

(See *Italy*)

## IRAQ

Dec. 2—The government agrees to lend France

\$1 billion to help her pay for Iraqi oil and to offset France's foreign-trade deficit.

### ISRAEL

(See also *Intl, Middle East; U.S., Foreign Policy*)

Dec. 2—President Ephraim Katzir confirms the fact that Israel now has the knowledge to produce nuclear weapons.

Dec. 9—The Most Reverend Hilarion Cappucci, Archbishop of the Greek Catholic Church in Jerusalem, is sentenced by an Israeli court to 12 years in prison for smuggling arms for Palestinian guerrillas into the Israeli-held West Bank.

Dec. 15—Major General Ariel Sharon resigns his seat in Parliament to take a "senior emergency appointment" with the military.

### ITALY

Dec. 2—Premier Aldo Moro presents his economic proposals to Parliament; he calls for a reduction in the balance of payments deficit.

Dec. 4—Workers stage a general strike to demand guaranteed employment, increased social security benefits, and adjustments in their cost-of-living increases.

Dec. 7—Premier Moro receives a vote of confidence from Parliament for his anti-inflation program.

Dec. 13—Journalists strike to demand greater decision-making responsibility and an across-the-board pay increase.

Dec. 20—Meeting in Teheran, President Giovanni Leone and Shah of Iran Mohammed Riza Pahlevi sign an agreement providing for Italian technological assistance to Iran in exchange for oil credits to help correct Italy's balance of payments deficit.

### JAPAN

Dec. 2—The Liberal-Democrats elect Takeo Miki to head the party. He becomes Premier designate to succeed Kakuei Tanaka, who has announced his resignation because he has been accused of corruption.

Dec. 9—The Parliament formally elects Miki as Premier.

Premier Miki announces the members of his new Cabinet. Former Finance Minister Takeo Fukuda is named Deputy Premier and head of the Economic Planning Agency. Kiichi Miyazawa is appointed Foreign Minister.

Dec. 26—Premier Miki reveals his personal assets; this is the 1st time a Japanese Premier has ever done so. Miki will not ask Cabinet members to list their assets.

Dec. 27—Premier Miki reveals his plans for reforming the political contributions policy of his Liberal-Democratic party.

### KOREA, REPUBLIC OF (South)

(See *Intl, U.N.*)

Dec. 5—Members of the opposition parties begin a sit-in inside the National Assembly building; they are demanding revisions in the country's constitution, the reopening of schools, and the release of all political prisoners.

Dec. 7—The South Korean won is devalued by 20 percent.

Dec. 8—Opposition members in the National Assembly end their sit-in.

Dec. 14—The government deports Dr. George Ogle, an American Methodist missionary, because he has refused to withdraw criticism of President Park Chung Hee.

Dec. 24—Nearly 3,000 political prisoners are released on parole for the Christmas holidays.

Dec. 28—Offices of the opposition New Democratic party are raided by 200 army veterans in Taegu, a provincial capital. Fighting erupts between police and members of the opposition party.

### MALTA

Dec. 13—Governor General Sir Anthony Mamo takes the oath of office as 1st President of the new republic. Prior to the swearing in, the House of Representatives passed 3 bills that amend the constitution to give Malta full independence, without allegiance to the British Queen.

### MEXICO

Dec. 2—Lucio Cabañas, a notorious guerrilla leader, is killed by Mexican soldiers in the mountains of southern Mexico.

### NICARAGUA

Dec. 28—Martial law is declared in Managua after members of the Sandinista Front attack a U.S. Embassy party, taking 30 people hostage and killing 2 policemen. The guerrillas are demanding \$1 million and the release of political prisoners.

Dec. 29—The government agrees to the guerrillas' demands to release 26 political prisoners and fly them to Cuba. In exchange, the guerrillas agree to release the hostages being held in the U.S. embassy. The government also agrees to pay the guerrillas between \$1 million and \$1.5 million.

### PERU

Dec. 14—The government of President Juan Velasco Alvarado announces that effective March 1 the privately owned international Telex and the telegraph service will be nationalized. An ITT subsidiary is affected.

### PHILIPPINES, THE

Dec. 14—President Ferdinand E. Marcos orders the

release of 454 more martial law prisoners, bringing the total number released to 1,076 out of the 5,234 total of detainees. On December 11, Marcos announced his new policy of "reconciliation, solidarity and brotherhood."

### PORTUGAL

Dec. 13—The U.S. government announces in Washington that it is initiating an economic aid plan for the new Portuguese government. As part of the aid package, the U.S. will guarantee \$20 million in private loans for housing.

Dec. 18—Premier Vasco dos Santos Gonçalves, without the authorization of the Cabinet, sends military units to raid the homes of 12 Lisbon businessmen suspected of financial irregularities and economic "sabotage."

### RHODESIA

Dec. 4—Presidents Kenneth Kaunda of Zambia, Julius Nyerere of Tanzania and Sir Seretse Khama of Botswana meet in Lusaka, Zambia, with 2 Rhodesian black nationalists to work out a program for black participation in the white Rhodesian government. Prime Minister Ian Smith has temporarily paroled the 2 Rhodesian nationalists so that they can attend the meeting.

Dec. 7—The white Rhodesian government rejects the proposal of the Zambia conference that a "constitutional conference be on the basis of immediate majority rule."

Dec. 8—Members of differing factions of the black Rhodesian liberation movements meeting in Zambia agree to hold talks on the transfer of power to the Rhodesian majority. The 3 banned Rhodesian nationalist groups, the Zimbabwe African National Union, the Zimbabwe African People's Union, and the Front for the Liberation of Zimbabwe, agree to unite in the African National Council for 4 months in order to adopt a constitution, elect a leadership, and prepare a policy statement toward the proposed constitutional conference.

Dec. 11—Prime Minister Smith announces a ceasefire between the white minority government and black nationalists. Further, he announces the release of 11 black nationalist political prisoners.

Dec. 16—*The New York Times* reports that South African Prime Minister John Vorster has submitted a plan to Rhodesian Prime Minister Smith for the transfer of power to majority rule.

Dec. 18—Bishop Abel Muzorewa, leader of the African National Council, demands an agreement on the goal of majority rule before the conference on constitutional reform begins.

### RUMANIA

Dec. 14—A 5-year cooperation agreement is signed

by the Rumanian and U.S. governments—the 1st ever between the 2 countries—calling for cooperation and exchange in the fields of culture, education, science and technology.

### SAUDI ARABIA

Dec. 4—The French government agrees to sell \$800-million worth of arms to Saudi Arabia, including antiaircraft missiles and antitank weapons.

### SOUTH AFRICA

(See also *Intl, United Nations; Rhodesia; United Kingdom*)

Dec. 9—The army announces a change in policy, allowing black soldiers to carry arms and giving them equal pay with whites. Blacks will still not be trained as officers.

### SPAIN

Dec. 2—On national radio and television, Premier Carlos Arias Navarro announces a draft bill that would permit the formation of political associations for the first time since the Civil War.

Dec. 11—In the largest political strike in 26 years, Basque nationalists and left-wing labor and political groups stage a strike in sympathy for political prisoners.

### THAILAND

Dec. 27—On returning from a 15-month exile, former Premier Thanom Kittikachorn is arrested and detained by the Ministry of Defense in Bangkok because he did not obtain permission before returning.

Dec. 29—The government of Premier Sanya Dhamasakti deports former Premier Thanom.

### UGANDA

Dec. 2—Former Foreign Minister Elizabeth Bagaaya is reportedly under house arrest although no charges have been brought against her. President Idi Amin dismissed her on her return from making an address before the U.N. General Assembly last month.

### U.S.S.R.

(See also *China; Egypt; U.S., Foreign Policy, Legislation*)

Dec. 7—After 3 days of talks in Paris, Soviet Communist party General Secretary Leonid I. Brezhnev and French President Valéry Giscard d'Estaing agree to double the volume of their trade over the next 5 years.

Dec. 10—In Stockholm, Nobel prize winner Aleksandr I. Solzhenitsyn accepts the prize that was awarded to him 4 years ago.

Dec. 16—Minister of Culture Pyotr N. Demichev

steps down from his post as national party secretary. He will retain his position as a non-voting member of the Politburo, thus keeping cultural affairs under the supervision of party leaders.

Dec. 18—Nikolai K. Baibakov, Deputy Premier and head of Gosplan, admits that the 5-year, consumer-oriented economic plan is a failure.

Dec. 25—An easing of restrictions on travel within the country is announced in the Soviet press.

## UNITED KINGDOM

### Great Britain

Dec. 3—In order to reduce the national deficit, the government proposes to reduce its military forces in Cyprus, close its naval base in South Africa, and bring troops back from Singapore and Hong Kong. The cuts do not affect troops stationed in West Germany under the NATO agreement. The measures are expected to save \$11 billion over the next 10 years.

Dec. 5—The Most Reverend Donald Coggan succeeds Michael Ramsey as the 101st Archbishop of Canterbury.

Dec. 6—The government announces plans to acquire an equity interest in the financially floundering Leyland Motor Corporation.

Dec. 9—Energy Secretary Eric Varley announces a mandatory energy-saving program, including lower speed limits and a maximum temperature of 68 degrees in buildings other than homes and hospitals. The goal is a 10-percent cut in energy consumption.

Dec. 12—The visible trade deficit for the month of November reached \$1.23 billion, the government reports. This is the largest deficit in the country's history.

Dec. 21—A bomb explodes in Harrods, a London department store—the 2d explosion in London in the last 3 days. The Harrods bombing came 1 day after the Provisional Wing of the Irish Republican Army announced a Christmas cease-fire in Britain and Northern Ireland.

## UNITED STATES

### Administration

Dec. 4—An increase of 8 cents in the price of natural gas to 50 cents per cubic foot is announced by the Federal Power Commission in Washington. A percentage increase of from 8 to more than 16 percent in consumer prices by 1978 is also projected by the FPC.

Dec. 11—Attorney General William B. Saxbe resigns to accept a nomination as Ambassador to India, replacing Daniel P. Moynihan.

Dec. 17—Roy L. Ash, director of the Office of Management and Budget, resigns, effective early in 1975.

President Gerald Ford orders the Council on Wage and Price Stability to obtain written justification from the United States Steel Corporation for the company's 8 to 10 percent rise in its prices, announced yesterday (see *Economy*).

Dec. 18—Secretary of Transportation Claude S. Brinegar announces his resignation from the Cabinet, effective February 1.

Dec. 19—Nelson A. Rockefeller is sworn in as Vice President.

Dec. 22—*The New York Times* reports that illegally and contrary to its charter, the CIA established intelligence files on more than 10,000 American citizens under former CIA director Richard Helms, now U.S. ambassador to Iran.

Dec. 23—James Angleton, chief of the CIA's Counter Intelligence Division, who has allegedly been connected with domestic spying operations, resigns, effective December 31.

Dec. 24—State Department spokesman Robert Anderson reports that Richard Helms "categorically denies that the CIA conducted illegal domestic operations" under his direction.

Dec. 29—Government sources report the resignations of 3 more CIA officials, effective December 31.

Dec. 31—Government sources say that in a report to President Ford, CIA director William Colby has confirmed *The New York Times* charges of domestic spying by the CIA.

### Civil Rights

Dec. 11—Racial violence erupts again in South Boston High School over a stabbing incident there.

Dec. 12—Hundreds of white students walk out of Boston high schools to protest yesterday's stabbing incident in South Boston High School.

Dec. 15—6,000 whites gather on Boston Common to protest the court-ordered busing in South Boston.

Dec. 16—The School Committee in Boston refuses 3 to 2 to approve a federal court order issued by federal district Judge W. Arthur Garrity approving a new city-wide busing plan to achieve school desegregation next fall.

Dec. 17—South Boston High School and Roxbury High School, 3 elementary schools, and a middle school in South Boston are closed until January 2 because of the continued threat of violence.

Dec. 19—The United States court of appeals for the first district in Boston upholds the decision of federal district Judge W. Arthur Garrity that the Boston School Committee was deliberately operating a segregated school system; on June 21, 1974, the judge ordered school busing to achieve desegregation.

Dec. 23—The Boston School Committee votes unanimously to appeal Judge Garrity's December 19 ruling.

## Economy

Dec. 3—Secretary of the Treasury William E. Simon announces that, beginning December 31, the Treasury will auction off 2 million ounces of its gold, worth more than \$360 million at current prices.

Dec. 6—The Labor Department reports that the nation's unemployment rate reached 6.5 percent of the labor force in November.

Dec. 10—The Xerox Company plans to lay off 6,000 workers across the country because of a decreased demand for its products and services.

Dec. 12—The Labor Department reports that the wholesale price index rose only 1.2 percent in the month of November.

New York City Mayor Abraham Beame announces the dismissal of 3,725 city employees effective next week and the forced retirement of 2,700 elderly employees by June 30, 1975.

Dec. 13—The Federal Reserve Board says that industrial production dropped 2.3 percent in November; production was down 4.3 percent from last November's peak.

Dec. 18—General Motors Corporation announces that 16,000 more workers will be put on permanent layoff and 41,000 more will be on 1- to 4-week layoffs during January.

The Commerce Department reports that the U.S. balance of payments showed an increasing deficit, to \$3.6 billion in the 3d quarter, from \$2.5 billion in the 2d quarter.

Dec. 23—In response to administration pressure, the United States Steel Corporation reduces its December 16 price increases by about 20 percent.

Dec. 28—In response to administration pressure, Bethlehem Steel Corporation will reduce scheduled price increases, which were to take effect December 30.

## Elections

Dec. 24—After a 49-day delay, the New Hampshire Ballot Law Commission declares Republican Louis C. Wyman the 2-vote-margin winner over Democrat John A. Durkin in a contest for a U.S. Senate seat.

## Foreign Policy

(See also *Intl, NATO, United Nations; Portugal; Rumania*)

Dec. 2—At a televised news conference, President Gerald Ford makes public the tentative details of the arms control agreement he reached 8 days ago with Soviet General Secretary Leonid Brezhnev in Vladivostok; both parties to the agreement placed a ceiling of 2,400 on long-range offensive missiles and bombers.

Dec. 4—President Ford and Canadian Prime Minister Pierre Elliott Trudeau confer in Washington

about energy problems; they discuss Canada's decision to pursue a more protective nationalist policy with regard to energy resources.

Dec. 5—West German Chancellor Helmut Schmidt opens 2 days of talks with President Ford in Washington about energy and other problems affecting their countries.

Dec. 6—U.S. chief delegate to the U.N. William E. Schaefe warns the General Assembly of the U.N. trend to "tyranny of the majority."

Dec. 9—President Ford and Secretary of State Henry Kissinger confer with Israeli Foreign Minister Yigal Allon in Washington.

Dec. 16—President Ford and French President Valéry Giscard d'Estaing, meeting in Fort-de-France, Martinique, issue a communiqué that outlines their compromise agreement to coordinate the energy policies of the United States and France.

Dec. 18—The official Soviet press agency, *Tass*, asserts that "leading circles" (Soviet) "flatly reject as unacceptable" attempts to make tariff reductions subject to conditions or to interference in the internal affairs of the Soviet Union. This is a reference to the trade bill now before Congress that seeks to ease immigration from the Soviet Union in return for "most favored nation" trade status (see also *Legislation*).

Dec. 28—In a year-end interview, President Ford says that unless "there is some movement on a step-by-step basis [toward] peace in the Middle East . . . there's a high likelihood of war."

## Labor and Industry

Dec. 5—After a 24-day miners' strike, a new 3-year contract with the coal industry is signed in Washington by officers of the United Mine Workers.

Dec. 22—The mine construction workers ratify a 3-year contract by a 2-to-1 margin. Workers will report for work December 23.

## Legislation

Dec. 2—Meeting in secret caucus, the House Democrats vote 146 to 122 to authorize the steering and policy committee of the party to make committee assignments, thus divesting the Democrats on the powerful Ways and Means Committee of that power, held by the committee since 1911.

Dec. 3—The House Democratic Caucus votes to increase the number of seats on the Ways and Means Committee from 25 to 37, thus decreasing the power of the chairman.

By votes of 90 to 1 in the Senate and 394 to 10 in the House, Congress overrides President Gerald Ford's veto of a bill increasing by 22.7 percent the benefits to veterans of the Vietnam war and of the period between the Korean war and the Vietnam war.

Congress concludes action on a \$156 million bill designed to safeguard drinking water by providing minimum national standards.

Dec. 4—House Democrats adopt a proposal that will bar the chairman of any major committee from serving at the same time as chairman of another major committee.

Dec. 9—Shortly after passage in the Senate, the House unanimously passes and sends President Ford a bill requiring the federal government to take permanent possession of the papers and tapes of former President Richard Nixon.

Dec. 10—Representative Wilbur D. Mills (D., Ark.) resigns as House Ways and Means Committee chairman, a post he has held since 1958.

Dec. 11—Congress passes and sends the White House a bill designed to reform real estate closing procedures.

Dec. 18—A bill authorizing \$2.69 billion in foreign aid during the year ending June 30, 1975, is passed by the House, 209 to 189, and sent to the White House after passage yesterday by the Senate, 49 to 41. With certain restrictions, the measure allows the U.S. to resume military aid to Turkey through February 5.

Dec. 19—By a 287 to 128 vote, the House of Representatives approves the nomination of Nelson A. Rockefeller as Vice President; the Senate voted 90 to 7 to approve the nomination on December 10.

As part of a \$4-billion appropriations bill, the House and Senate allocate \$1 billion to provide jobs for the unemployed in 1975. The bill goes to the President.

Dec. 20—The Senate votes 72 to 4 and the House votes 323 to 36 to approve a foreign trade bill that makes basic changes in the country's foreign trade laws, liberalizing trade restrictions; President Ford may now grant most-favored-nation status to the U.S.S.R.

The 93d Congress adjourns.

Dec. 23—President Ford signs 15 of 17 bills passed by the 93d Congress before its adjournment, including an Antitrust Procedures and Penalties Act, which raises maximum allowable fines from \$50,000 to \$1,000,000 for corporations and from \$50,000 to \$100,000 for individuals.

The President vetoes a \$1-billion health services bill, and a bill providing for anti-pollution facilities in the Tennessee Valley Authority generators.

Dec. 27—President Ford signs an \$8.6-billion supplemental appropriations bill that includes a provision allowing \$200,000 for former President Richard Nixon's pension and office expenses in the next year. President Ford had requested \$850,000 for this purpose.

Dec. 30—President Ford signs the \$2.7-billion foreign

aid bill, which sets a February 5, 1975, cut-off date for aid to Turkey and bans future military aid to Chile.

President Ford pocket vetoes 2 bills; one placing new restrictions on strip mining of coal; the other requiring that 20 percent of the oil imported into the U.S. be carried on U.S. tankers.

Dec. 31—For the 1st time since 1933, gold bullion goes on sale to U.S. citizens.

## Political Scandal

Dec. 5—In a 6-page opinion, U.S. district Judge John J. Sirica rules that former President Richard Nixon will not be asked to testify either in person or through deposition in the Watergate cover-up trial.

## Politics

(See also *Elections*)

Dec. 5—Representative Morris K. Udall (D. Ariz.) announces plans to enter 6 presidential primaries and spend \$4 million in his campaign for the 1976 presidential nomination.

Dec. 8—The Democratic party concludes its mid-term convention in Kansas City after adopting a charter, the first charter ever adopted by a major American political party.

Dec. 12—Georgia's Governor Jimmy Carter announces his candidacy for the Democratic presidential nomination in 1976.

## Supreme Court

Dec. 16—In a 7-2 decision, the Supreme Court upholds the 1973 railroad reorganization plan enacted by Congress to reorganize 8 northeast and middle western railroads into a single self-sustaining system to save them from bankruptcy.

## VATICAN

Dec. 24—Pope Paul VI opens the 25th Holy Year of the Roman Catholic Church.

## VENEZUELA

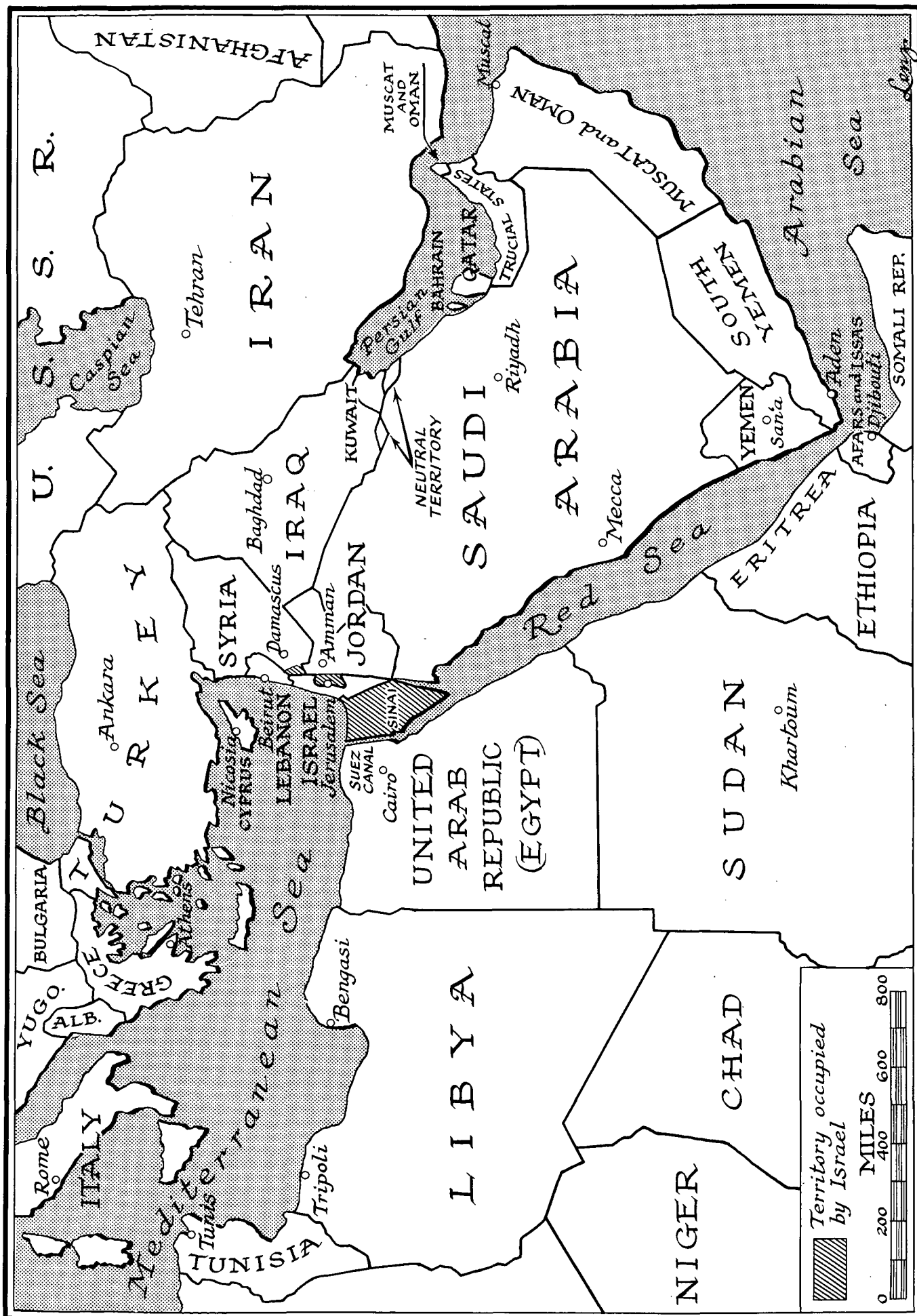
Dec. 7—The government reports plans to take over the U.S.-operated iron ore mining industry—subsidiaries of U.S. Steel and Bethlehem Steel—effective January 1, 1975, for an agreed compensation of \$101 million.

Dec. 20—Negotiations to restore diplomatic relations with Cuba begin.

Dec. 26—Robert N. Dolph, president of Creole Petroleum Corporation (a subsidiary of the Exxon Corporation), announces that the government will take 99 percent of the company's profits.

## VIETNAM, REPUBLIC OF (South)

Dec. 17—The Saigon command reports heavy fighting in the Mekong Delta over the last 12 days.



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